



SPARTAN
DELTA CORP.

Annual Information Form
For the Year Ended December 31, 2020
March 31, 2021

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The information in this AIF is given as of December 31, 2020, unless otherwise indicated.

SPARTAN DELTA CORP.

DEFINITIONS

Throughout this Annual Information Form the terms set forth below have the following meanings, unless the context requires or indicates otherwise:

"**AER**" means Alberta Energy Regulator, an Alberta corporation responsible for regulating the development of energy resources in the province of Alberta;

"**AB LMR Program**" means the Alberta Liability Management Rating Program;

"**ABCA**" means the *Business Corporations Act* (Alberta) R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**AIF**" or "**Annual Information Form**" means this annual information form;

"**BC EAO**" means British Columbia's Environmental Assessment Office;

"**Bellatrix**" means Bellatrix Exploration Ltd.;

"**Bellatrix Acquisition**" means the transaction on June 1, 2020 whereby Winslow acquired substantially all of the assets of Bellatrix for total consideration of \$108.8 million;

"**Bellatrix BAR**" has the meaning ascribed thereto in "*General Development of the Business – Significant Acquisitions*".

"**Bill C-69**" means Bill C-69, *An Act to enact the Impact Assessment Act and the Canadian Energy Regulator Act, to amend the Navigation Protection Act and to make consequential amendments to other Acts*, issued by the Canadian federal government;

"**Board**" or "**Board of Directors**" means the board of directors of Spartan;

"**CEA Agency**" means the Canadian Environmental Assessment Agency;

"**CEAA**" means the *Canadian Environmental Assessment Act, 2012* (Canada), S.C. 2012, c. 19, s. 52;

"**CER**" means the Canadian Energy Regulator;

"**CERA**" means the *Canadian Energy Regulator Act* (Canada), S.C. 2020, c.28;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"**Common Shares**" means common shares in the capital of Spartan Delta Corp.;

"**Company**" or "**Spartan**" means Spartan Delta Corp., a corporation existing under the laws of the Province of Alberta;

"**Consolidation**" has the meaning ascribed thereto in "*Background*";

"**COVID-19**" means the novel coronavirus which was declared a global pandemic by the World Health Organization on March 11, 2020;

"**CO_{2e}**" means carbon dioxide equivalents;

"**Credit Facility**" means the \$100.0 million revolving credit facility of the Company with a syndicate of financial institutions;

"**GGPPA**" means the *Greenhouse Gas Pollution Pricing Act* (Canada), S.C. 2018, c. 12, s. 186;

"**GHG**" means greenhouse gas;

"**IA Agency**" means the Impact Assessment Agency of Canada;

"**IAA**" means the *Impact Assessment Act* (Canada), S.C. 2019, c. 28, s. 1;

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board;

"**Inception**" means Inception Exploration Ltd.;

"**Inception Acquisition**" has the meaning ascribed thereto in "*General Development of the Business – Recent Developments*";

"**IOGC**" means Indian Oil and Gas Canada, a Federal Government agency;

"**January 2021 Acquisition**" has the meaning ascribed thereto in "*General Development of the Business – Recent Developments*";

"**LMR**" means liability management rating, a ratio of a licensee's assets to liabilities across the AB LMR Program;

"**McDaniel**" means McDaniel & Associates Consultants Ltd.;

"**McDaniel Report**" means the independent engineering report dated March 11, 2021 and evaluating the crude oil, natural gas and NGL reserves of the Company effective as of December 31, 2020;

"**Name Change**" has the meaning ascribed thereto in "*Background*";

"**NAFTA**" means the North American Free Trade Agreement;

"**NEB**" means the National Energy Board;

"**NEB Act**" means the *National Energy Board Act* (Canada), R.S.C. 1985, c N-7;

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*;

"**OGCA**" means the *Oil and Gas Conservation Act* (Alberta), R.S.A., c. O-6;

"**OPEC**" means Organization of the Petroleum Exporting Countries;

"**Options**" means stock options to purchase Common Shares granted pursuant to the Company's stock option plan;

"**Recapitalization Transaction**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2019*";

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Simonette Acquisition**" has the meaning ascribed thereto in "*General Development of the Business – Recent Developments*";

"**Statement**" has the meaning ascribed thereto in "*Statement of Reserves Data and Other Oil and Gas Information – Date of Statement*";

"**Subscription Receipts**" means subscription receipts of the Company;

"**TSX**" means the Toronto Stock Exchange;

"**TSX-V**" means the TSX Venture Exchange;

"**United States**" or "**U.S.**" means the United States of America and includes its territories and possessions;

"**USMCA**" means the United States Mexico Canada Agreement;

"**Warrant**" means a Common Share purchase warrant of the Company;

"**Willesden Green Acquisition**" has the meaning ascribed thereto in "*General Development of the Business – Recent Developments*"; and

"**Winslow**" means Winslow Resources Inc.

CONVENTIONS

Certain other terms used but not defined in this AIF are defined in NI 51-101 and, unless the context otherwise requires, have the same meanings as ascribed to them in NI 51-101. Unless otherwise indicated, references in this AIF to "\$" or "dollars" are to Canadian dollars. All financial information with respect to the Company has been presented in Canadian dollars. Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

SELECTED ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
Mmbbls	million barrels
Bbls/d	barrels per day
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
Mmcf	million cubic feet
Mcf/d	thousand cubic feet per day
Mmcf/d	million cubic feet per day
MMbtu	million British Thermal Units
GJ	gigajoule

Other

AECO	A natural gas storage facility located at Suffield, Alberta
API	American Petroleum Institute
API°	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
BOE/d	barrel of oil equivalent per day
L	litre
m ³	cubic metres
Mcfe	means 1,000 cubic feet equivalent on the basis of one Bbl of crude oil for six Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
MBOE	1,000 barrels of oil equivalent
\$000s	thousands of dollars
M\$	thousands of dollars
Mm\$	millions of dollars
USD	United States dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

Measurements expressed in BOE or Mcfe may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 Bbl and an Mcfe conversion ratio of 1 bbl:6 Mcf are based on an approximate energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

SELECTED CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic meters	28.320
cubic meters	cubic feet	35.315
Bbls	cubic meters	0.159
cubic meters	Bbls	6.290
feet	metres	0.305
meters	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

NOTICE TO READER

Special Note Regarding Forward-Looking Statements

Certain statements contained in this AIF constitute forward-looking statements. These statements relate to future events or the Company's future plans or performance. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements or information is often, but not always, identified by the use of words such as "anticipate", "budget", "continue", "evaluate", "monitor", "can", "able", "potential", "consider", "believe", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "predict", "project", "should", "focus", "target", "will", or similar words suggesting future outcomes or language suggesting an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company's presentation of forward-looking information is based on internally generated budgets relating to drilling plans and related costs, expected results from drilling as well as estimated royalties, operating costs and administrative expenses. Spartan bases the commodity pricing for budget purposes on a range of publicly available pricing forecasts and considers general economic conditions. Management believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements should not be unduly relied upon.

In particular, this AIF contains forward-looking statements pertaining to the following:

- business strategy, objectives, strength and focus;
- the performance characteristics of the Company's oil and natural gas properties, individually, including the assets acquired under the Bellatrix Acquisition;
- oil and natural gas production levels;
- expectations regarding the Company's growth and risk profile;
- the size of the Company's oil and natural gas reserves;
- projections of market prices and costs;
- supply of, and demand for, oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;
- the ability of the Company to achieve drilling success consistent with management's expectations;

- drilling plans, expectations and timing of drilling;
- the Company's ability to attract and retain qualified personnel;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- treatment under governmental regulatory regimes and tax laws;
- expected effect of regulatory regimes and controls;
- tax horizon and future income taxes;
- use of Credit Facility funds;
- expectations regarding commodity prices in 2021;
- expectations regarding dividends;
- capital expenditure programs and the timing and method of financing thereof; and
- abandonment and reclamation costs.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. See "*Statement of Reserves Data and Other Oil and Gas Information*".

The forward-looking information and statements contained in this AIF reflect management's current views and are based on certain assumptions, including assumptions as to future economic conditions and courses of action, as well as other factors that management believes are appropriate in the circumstances. Such forward-looking statements are subject to risks and uncertainties and no assurance can be made that any of the events anticipated by such statements will occur or, if they do occur, what benefit the Company will derive from them. The Company has made assumptions regarding, among other things:

- the ability of the Company to achieve drilling success consistent with management's expectations;
- the ability of the Company to secure equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the timing and cost of pipeline and facility construction and expansion and the ability of the Company to secure adequate product transportation;
- the timely receipt of required regulatory approvals;
- the ability of the Company to market its oil and natural gas and to transport its oil and natural gas to market;
- the ability of the Company to obtain capital to finance its exploration, development and operations; and
- future oil and natural gas prices.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- volatility in market prices for oil and natural gas;
- lack of transportation and inability to produce oil and natural gas reserves and resources;
- adverse regulatory rulings, orders and decisions;
- liabilities inherent in oil and gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- geological, technical, drilling and processing problems and other problems in producing reserves and resources;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- stock market volatility and market valuations;
- the impact of climate change and climate change regulations;
- possible renegotiation and replacement of international trade agreements;
- the risks of the oil and natural gas industry both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- the failure to obtain industry partner and other third-party consents and approvals, as and when required;
- the availability of capital on acceptable terms;
- actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry;

- changes in income tax laws or changes in tax laws or trade laws and incentive programs relating to the oil and natural gas industry; and
- the other factors discussed under "*Risk Factors*".

These factors should not be considered as exhaustive. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there are no representations by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this AIF are made as of the date hereof, and the Company undertakes no obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Non-IFRS Measures

Within this AIF, references are made to terms commonly used in the oil and natural gas industry. The terms "operating netback" and "adjusted funds flow" in this Annual Information Form are not recognized measures under generally accepted accounting principles in Canada.

Adjusted funds flow is calculated as funds from operations, adjusted to add back transaction costs on acquisitions and to deduct cash lease payments. Funds from operations represents cash flow provided by operating activities determined in accordance with IFRS, adjusted to add back changes in non-cash working capital. Spartan believes adjusted funds flow is an appropriate metric to compare relative to net debt because it reflects the net cash flow generated from routine business operations and because Spartan does not include lease liabilities in its definition of net debt (surplus). Net debt (surplus) includes bank debt, net of adjusted working capital, which is calculated as current assets less current liabilities, excluding derivative financial instrument assets and liabilities and lease liabilities.

Operating netback refers to operating income expressed per unit of production on a BOE basis. Operating income is calculated by deducting operating and transportation expenses from total revenue, after realized gains or losses on commodity price derivative financial instruments. Total revenue is comprised of oil and gas sales, net of royalties, plus processing and other revenue. The Company believes operating netback is a useful supplemental measure that demonstrate the Company's ability to generate the cash necessary to repay debt or fund future capital investment. Spartan considers operating netback an important measure to evaluate its operational performance as it demonstrates its field level profitability relative to current commodity prices.

Readers are cautioned; however, that these measures should not be construed as an alternative to net earnings determined in accordance with generally accepted accounting principles in Canada as an indication of our performance.

This AIF also contains certain oil and natural gas metrics, including finding and development costs, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.

BACKGROUND

Spartan is an intermediate, high-growth petroleum and natural gas company focused on opportunities to acquire high quality assets at attractive valuations while also capitalizing on the operational efficiencies and reduced overhead achievable through consolidation of synergistic assets. The Company's intent is to acquire a diversified portfolio of quality assets that can be optimized, financially or operationally to yield lower payout ratios and generate

material free cash flow. Simultaneously, the Company continues to focus on the expansion of its business through the development of its core properties in the West Central Alberta Deep Basin and the Alberta Montney.

The Company was incorporated under the ABCA as "Dualect Energy International Inc." on March 20, 2006. On May 24, 2006, the Company's share structure was amended by way of a court-approved plan of arrangement (the "**Arrangement**") under Section 193 of the ABCA. Under the Arrangement, the articles of the Company were amended to: (i) remove all share transfer restrictions in the articles of the Company; and (ii) create and authorize the Company to issue an unlimited number of non-voting, redeemable, retractable special Preferred Shares. On December 20, 2016, the Company consolidated its issued and outstanding Common Shares on the basis of ten (10) pre-consolidation Common Shares for one (1) post-consolidation Common Share and changed its name to "Return Energy Inc." On December 19, 2019, the Company appointed a new management team and new board of directors pursuant to the Recapitalization Transaction. On June 1, 2020, the Company consolidated its issued and outstanding Common Shares on the basis of one hundred (100) pre-consolidation Common Shares for one (1) post-consolidation Common Share (the "**Consolidation**") and changed its name from "Return Energy Inc." to "Spartan Delta Corp." (the "**Name Change**"). All references to Common Shares, Subscription Receipts, Warrants and Options in this document have been restated and are reflected on a post-Consolidation basis.

Spartan is a "reporting issuer" or the equivalent in each of the provinces of Canada. The Common Shares are traded on the TSX-V under the symbol "SDE".

The Company's head office is located at 500, 207 – 9th Avenue S.W., Calgary, Alberta T2P 1K3. The registered office of the Company is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

See "*Selected Abbreviations*" and "*Definitions*" for an explanation of capitalized terms and expressions, abbreviations and definitions used in this AIF.

Inter-Corporate Relationships

Prior to January 1, 2021, Spartan's oil and gas operations were conducted through its wholly-owned subsidiary, Winslow. Effective January 1, 2021, Spartan and Winslow were amalgamated to form a single corporate entity under the name "Spartan Delta Corp." On January 14, 2021, the Company amalgamated with the two private companies acquired pursuant to the January 2021 Acquisition to form "Spartan Delta Corp.". On March 18, 2021, the Company amalgamated with Inception to form "Spartan Delta Corp." As of the date hereof, the Company does not have any material subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Financial Year Ended December 31, 2018

During the year ended December 31, 2018, the Company disposed of certain non-core land and oil assets for gross proceeds of approximately \$0.4 million.

Financial Year Ended December 31, 2019

On March 25, 2019, the Company appointed an independent committee to undertake a broad review of potential alternatives to enhance shareholder value.

On March 29, 2019, the Company closed a disposition of certain non-core petroleum and natural gas assets located at Valhalla, Alberta, for cash proceeds of approximately \$0.2 million after closing adjustments.

On December 19, 2019, the Company: (i) completed a non-brokered private placement for gross proceeds of up to \$25.0 million (the "**2019 Private Placement**"); and (ii) appointed a new management team and new board of directors of the Company (collectively, the "**Recapitalization Transaction**"). Pursuant to the 2019 Private Placement, the Company issued a total of 8,796,500 Common Shares and 16,203,500 units (the "**Recap Units**") of the Company at a price of \$1.00 per Common Share and Recap Unit, respectively, for aggregate gross proceeds of \$25.0 million. Each Recap Unit was comprised of one Common Share and one Warrant (each, a "**Recap**

Warrant"). Each Recap Warrant entitles the holder to purchase one Common Share at a price of \$1.00 (the "**Exercise Price**") for a period of five years. In June 2020, the Recap Warrants fully vested as a result of the Company's share price exceeding 200% of the Exercise Price.

As part of the Recapitalization Transaction, an aggregate of: (i) 2,000,000 Preferred Shares, being all of the issued and outstanding Preferred Shares; (ii) 666,666 Warrants, being all of the issued and outstanding Warrants immediately prior to the completion of the Recapitalization Transaction; and (iii) 69,250 stock options, being all of the granted and outstanding legacy stock options, were cancelled for nominal consideration effective December 19, 2019.

Financial Year Ended December 31, 2020

On May 8, 2020, Spartan completed a non-brokered private placement of 29,455,000 Subscription Receipts at a price of \$2.00 per Subscription Receipt for aggregate gross proceeds of \$58.91 million. In addition, the Company entered into irrevocable subscription agreements for the issuance of 2,545,000 Common Shares at a price of \$2.00 per Common Share for gross proceeds of \$5.09 million.

On June 1, 2020, Spartan closed the Bellatrix Acquisition for total consideration of \$108.8 million. Concurrent with the closing of the Bellatrix Acquisition: (i) the Subscription Receipts issued pursuant to the May 2020 Offering converted into 29,455,000 Common Shares and the gross proceeds related thereto were released from escrow; (ii) the Company issued 2,545,000 Common Shares issuable pursuant to the May 2020 Offering; (iii) the Company established a \$100.0 million revolving credit facility with a syndicate of financial institutions (the "**Credit Facility**"); and (iv) the Company completed the Name Change and Consolidation. The acquired assets included approximately 25,000 BOE/d of oil and gas production (consisting of approximately 250 bbls/d of crude oil, 1,000 bbls/d of condensate, 6,500 bbls/d of NGLs and 103.5 MMcf/d of conventional natural gas) concentrated in the Deep Basin of west central Alberta, a large land base and working interest ownership in strategic infrastructure.

On December 1, 2020, Spartan closed an acquisition of producing petroleum and natural gas assets located in its core area at Baptiste, Alberta, for cash consideration of \$0.4 million after estimated closing adjustments.

Recent Developments

On January 14, 2021, the Company acquired all of the issued and outstanding shares of two private companies for cash in the amount of \$0.3 million and the issuance of 2,002,585 Common Shares (the "**January 2021 Acquisition**"). The acquired entities were immediately vertically amalgamated with the Company on the closing date. The acquired assets included non-producing petroleum and natural gas properties in Spartan's new core development area in the Alberta Montney and tax pools.

On March 5, 2021, Spartan acquired certain producing petroleum and natural gas assets located at Willesden Green, Alberta, for cash consideration of approximately \$5.4 million after estimated closing adjustments (the "**Willessden Green Acquisition**"). The acquired assets are contiguous with Spartan's existing core operating assets in west-central Alberta.

On March 8, 2021, the Company closed a bought-deal financing of 11,250,000 Subscription Receipts, at a price of \$4.00 per Subscription Receipt, for gross proceeds of approximately \$45.0 million (the "**2021 Prospectus Financing**"). The gross proceeds of the 2021 Prospectus Offering were released from escrow upon completion of the Inception Acquisition (as defined below) and the Non-Brokered Offering (as defined below), and each Subscription Receipt was automatically exchanged for one Common Share for no additional consideration.

On March 18, 2021, Spartan acquired certain petroleum and natural gas assets located primarily in the Simonette area of Alberta for a gross purchase price of \$22.9 million, comprised of the issuance of 1,493,180 Common Shares and \$17.2 million of cash, before closing adjustments (the "**Simonette Acquisition**"). The Simonette Acquisition had an effective date of January 1, 2021 and closing adjustments to the cash purchase price were estimated to be approximately \$2.6 million.

On March 18, 2021, Spartan acquired all of the issued and outstanding common shares (the "**Inception Shares**") of Inception by way of an exempt take-over bid for aggregate share consideration of \$91.0 million, plus the assumption by Spartan of net debt estimated to be \$7.8 million (the "**Inception Acquisition**"). Inception is an oil-weighted Montney focused private company with operations primarily in the Gold Creek area of north-west Alberta,

in the vicinity of the Company's lands acquired pursuant to the January 2021 Acquisition. The Company issued 23,734,384 Common Shares to the shareholders of Inception at a deemed issuance price of approximately \$3.83 per Common Share, calculated using the volume weighted average trading price of the Common Shares for the 20 trading days immediately preceding February 16, 2021. In addition, Spartan issued a \$50.0 million unsecured non-interest bearing convertible promissory note (the "**Convertible Note**") to a major shareholder and debtholder of Inception (the "**Inception Shareholder**"). The Convertible Note matures five years from the closing of the Inception Acquisition, and is convertible in whole or in part beginning on the day that is two years following the closing of the Inception Acquisition, at the Company's election, for such number of Common Shares calculated based on the greater of: (i) the volume weighted average trading price of the Common Shares for the 10 trading days immediately preceding the delivery by the Company of a notice of conversion to the Inception Shareholder; and (ii) \$7.67, being two times the deemed issuance price of the Common Shares under the Inception Acquisition. The maximum number of Common Shares issuable on conversion of the Convertible Note is 6,518,905 Common Shares, based on the principal amount of \$50.0 million divided by the minimum conversion price of \$7.67 per Common Share.

On March 18, 2021, the Company closed a non-brokered private placement of: (i) 6,250,000 Common Shares at a price of \$4.00 per Common Share for aggregate gross proceeds of \$25.0 million; and (ii) 10,976,626 Common Shares issued on a "flow-through" basis pursuant to the *Income Tax Act* (Canada) (the "**Flow-Through Shares**") at a price of \$4.92 per Flow-Through Share for aggregate gross proceeds of approximately \$54.0 million.

Significant Acquisitions

The Bellatrix Acquisition completed on June 1, 2020 constituted a significant acquisition under Part 8 of NI 51-102. The Company filed a business acquisition report for the Bellatrix Acquisition on September 22, 2020 (the "**Bellatrix BAR**"). The report is available on Spartan's SEDAR profile at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Business Objectives and Strategy

Following the Recapitalization Transaction in December of 2019, Spartan's focus has been on the thoughtful and opportunistic consolidation of undercapitalized and undervalued assets in the Western Canadian Sedimentary Basin. Spartan capitalizes on new opportunities by following a disciplined and proven methodology of asset identification, acquisition, and development, enabling the Company to have a portfolio of high-quality assets. Spartan believes its assets, combined with thoughtful cost control and efficiency focussed operations, will continue to produce more consistent and reliable results over the long term. With its high-quality portfolio of assets and a highly experienced management team, Spartan expects to continue delivering on its strategy to enhance shareholder returns while prudently managing its balance sheet.

Specialized Skills and Knowledge

It is the belief of management of Spartan that Spartan's officers and employees, who have significant technical and operational oil and gas experience, hold the necessary skill sets to successfully execute Spartan's business strategy in order to achieve its corporate objectives. Spartan's management team has an established track record of creating value across multiple business cycles in high-growth oil and gas companies through an integrated strategy of acquiring, exploiting and exploring assets. In a relatively short period of time, Spartan's officers and employees have demonstrated the ability to profitably grow and expand Spartan's base of operations.

Spartan's geographically focused business expansion has positioned it to succeed in currently prevailing industry conditions. Since commencing active oil and gas operations, management of Spartan has established "critical mass", which includes a production base providing for a solid growth platform and a balanced production and prospect risk profile necessary to become a successful full-cycle exploration and development company. Spartan's inventory of drilling prospects generated internally as well as through acquisitions, combined with management's ability to execute strategic corporate and property acquisitions, is expected to continue to support and expand its existing asset base.

Competitive Conditions

The oil and gas industry is competitive in all of its phases. Spartan competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Spartan's competitors include resource companies which have much greater financial resources, staff and facilities than those of Spartan. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Spartan believes that its competitive position is similar to that of other oil and gas issuers of similar size and at a similar stage of development.

Cyclical and Seasonal Impact of the Industry

The Company's operational results and financial condition will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices fluctuate widely and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on the Company's financial condition. See "*Statement of Reserves Data and Other Oil and Natural Gas Information – Forward Contracts*" for Spartan's current hedging program.

Economic Diversity

Spartan has ensured economic diversity for the Company by not being substantially dependent on any single contract or license, such as a contract to sell the major part of its products or services or to purchase the majority of its goods, services or raw materials, or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which the Company's business depends.

Change to Contracts

Spartan does not reasonably anticipate being materially affected by renegotiation or termination of contracts or sub-contracts.

Environmental Policies and Responsibility

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation can require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness.

The operations of Spartan are, and will continue to be, affected in varying degrees by laws and regulations regarding environmental protection. Spartan is committed to meeting its responsibilities to protect the environment and will be taking such steps as required to ensure compliance with environmental legislation in all jurisdictions in which it operates. Spartan believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue and in continuing to maintain high quality operations, it anticipates making increased expenditures of both a capital and an expense nature as a result of these increasingly stringent environmental protection laws. However, it is not currently possible to quantify any such increased expenditures and it is not anticipated that Spartan's competitive position will be adversely affected by current or future environmental laws and regulations governing its oil and natural gas operations.

For a further discussion of the environmental regulations affecting the oil and gas industry, see "*Industry Conditions*" and "*Risk Factors*".

Employees

As at December 31, 2020, Spartan employed 53 full time professionals, 2 part-time professionals and made use of 7 consultants at its head office in Calgary, Alberta. The Company also employed 26 full time field employees located at various field offices in Alberta.

Managing Ongoing Capital Requirements

Spartan anticipates that it will make substantial capital investments for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If Spartan's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs, and while the Company would seek to finance these activities in the most prudent manner possible, it cannot be assured that debt or equity financing, or cash generated by operations, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Spartan. Moreover, future activities may require Spartan to alter its capitalization significantly. Transactions involving the issuance of securities may be dilutive. The inability of Spartan to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. See "Risk Factors" for further discussion of capital requirements.

Governance and Corporate Responsibility

Spartan has shown an ongoing commitment to sustainability with regards to the environment, business practices and stakeholder engagement. Investing in its business, people and community is paramount and will continue to be a guiding value at all levels of the Company. Spartan recognizes its business model is dependent on the industry generally operating in a responsible fashion and it is committed to conducting its business in an economically, socially and environmentally sustainable and responsible manner.

Across all facets of its business, Spartan clearly demonstrates a commitment to sustainability. Investing in long-term projects is expected to increase sustainability and help drive improved returns.

Relationships with all stakeholders are approached with integrity and respect, and Spartan takes care to select operators that share its core values. The Company's lands are developed ethically and responsibly. A more detailed description of Spartan's governance and corporate responsibility initiatives can be found in the Sustainability section of the Company's website at www.spartandeltacorp.com but is not to be considered part of this AIF.

Spartan has adopted policies relating to its corporate practices, including a code of business conduct & ethics and a whistleblower policy. Additional information relating to these and other policies can be found on the Company's website at www.spartandeltacorp.com.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Date of Statement

The statement of reserves data and other oil and gas information set forth below (the "**Statement**") is dated as of March 11, 2021. The effective date of the Statement is December 31, 2020 and the preparation date of the Statement is March 11, 2021. In compliance with the requirements of NI 51-101, tables below provide the reserves disclosure for Spartan as at December 31, 2020, independently evaluated by McDaniel. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Spartan believes is important to the readers of this information.

Disclosure of Reserves Data

Spartan engaged McDaniel to provide an independent evaluation of Proved Reserves and Proved plus Probable Reserves for all of its properties, which, at the time of the evaluation, were located in the provinces of Alberta and Saskatchewan. As of the date hereof, Spartan owns oil and gas properties in Alberta, Saskatchewan and British Columbia. The information set forth below is derived from the McDaniel Report, which has been prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101 and the COGE Handbook.

There are numerous uncertainties inherent in estimating quantities of crude oil, NGLs and conventional natural gas reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable crude oil, NGLs and conventional natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve

recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable crude oil, NGL and conventional natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

It should not be assumed that the estimates of Future Net Revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of the Company's crude oil, NGLs and conventional natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, NGLs and conventional natural gas reserves may be greater than or less than the estimates provided herein. See "Notice to Reader – Special Note Regarding Forward Looking Statements".

The following tables set forth certain information relating to the Company's oil, natural gas and NGL reserves as well as the net present value of the estimated Future Net Revenue associated with such reserves as at December 31, 2020 contained in the McDaniel Report. These tables summarize the data contained in the McDaniel Report, and, as a result, may contain slightly different numbers than the McDaniel Report due to rounding. In addition, numbers in the below tables may not add due to rounding.

The McDaniel Report was based on certain factual data supplied by the Company and McDaniel's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Company's petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Company to McDaniel and accepted without any further investigation. McDaniel accepted this data as presented and neither title searches nor field inspections were conducted.

We completed the Inception Acquisition, the Simonette Acquisition, the Willesden Green Acquisition and the January 2021 Acquisition subsequent to December 31, 2020. As a result, the reserves data and other oil and natural gas information in the Statement does not include such acquisitions.

The Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached hereto as Appendices "A" and "B", respectively.

Reserves Data (Forecast Prices and Costs)

Summary of Oil and Natural Gas Reserves as at December 31, 2020 – Forecast Prices and Costs

RESERVES CATEGORY	Light and Medium Oil		Natural Gas		Coal Bed Methane		Natural Gas Liquids ⁽³⁾		TOTAL	
	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (MBbl)	Net (MBbl)	Gross (MBOE)	Net (MBOE)
Proved Reserves										
Developed Producing	878	806	276,731	242,510	559	473	20,196	16,205	67,289	57,508
Developed Non-Producing	1	1	177	144	-	-	7	4	37	29
Undeveloped	1,719	1,440	279,507	259,265	-	-	19,348	16,354	67,651	61,005
Total Proved	2,598	2,247	556,414	501,919	559	473	39,551	32,563	134,977	118,542
Probable	2,451	1,965	290,631	264,176	151	128	21,051	17,416	71,965	63,432
Total Proved Plus Probable	5,048	4,212	847,045	766,095	710	601	60,601	49,979	206,942	181,974

Notes:

- (1) Gross reserves are working interest reserves before royalty deductions.
- (2) Net reserves are working interest reserves after royalty deductions plus royalty interest reserves.
- (3) Natural Gas Liquids include Condensate volumes.

Net Present Value of Future Net Revenue as at December 31, 2020 – Forecast Prices and Costs

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (% / YEAR)					AFTER INCOME TAXES ⁽¹⁾ DISCOUNTED AT (% / YEAR)				
	0	5	10	15	20	0	5	10	15	20
	(in \$ thousands)									
Proved Reserves										
Producing	440,816	440,426	375,938	324,359	286,270	328,927	353,810	305,018	263,951	233,342
Non-Producing	112	96	83	73	64	86	72	62	53	45
Undeveloped	835,220	558,130	401,286	303,493	237,920	646,498	425,821	301,489	224,389	172,992
Total Proved	1,276,147	998,652	777,307	627,926	524,254	975,511	779,704	606,569	488,393	406,379
Probable	1,001,067	512,426	300,803	194,061	133,645	773,863	392,933	228,249	145,702	99,335
Total Proved Plus Probable	2,277,214	1,511,078	1,078,110	821,986	657,899	1,749,373	1,172,636	834,818	634,094	505,714

Note:

- (1) The after-tax net present value of Spartan's oil and natural gas properties reflects the income tax burden on the properties on a stand-alone basis and takes into account Spartan's existing tax pools. It does not consider the business-entity-level tax situation or tax planning. It does not provide an estimate of the value at the level of the business entity, which may be significantly different. The Company's audited annual financial statements and related management's discussion and analysis for the year ended December 31, 2020 should be consulted for information at the level of the business entity.

Total Future Net Revenue (Undiscounted) as at December 31, 2020 – Forecast Prices and Costs

RESERVES CATEGORY	Total Future Revenue (Undiscounted in \$ thousands)							
	Revenue ⁽¹⁾	Royalties ⁽²⁾	Operating Costs	Development Costs	Abandonment and Reclamation Costs ⁽³⁾	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Total Proved	3,123,525	296,565	1,123,624	266,478	160,710	1,276,147	300,637	975,511
Total Proved + Probable	5,127,249	524,085	1,737,565	417,305	171,081	2,277,214	527,841	1,749,373

Notes:

- (1) Includes all product revenues and other revenues as forecast.
(2) Royalties include any net profits interests paid, as well as the Saskatchewan Corporation Capital Tax Surcharge.
(3) Abandonment and reclamation costs are defined by NI 51-101 as all costs associated with the process of restoring Spartan's properties that have been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities.

Net Present Value of Future Net Revenue by Production Type as at December 31, 2020 – Forecast Prices and Costs

CATEGORY	Product Type	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (\$ Millions)	Unit Value Before Income Taxes (Discounted at 10%/Year) ⁽¹⁾ (\$/BOE)	Unit Value Before Income Taxes (Discounted at 10%/Year) ⁽¹⁾ (\$/MCFE)
		Proved	Light And Medium Crude Oil	62,136
	Heavy Crude Oil	-	-	-
	Conventional Natural Gas	714,750	9.54	1.59
	Coal Bed Methane	422	5.34	0.89
	(Including associated by-products) ⁽²⁾			
	Total	777,307	6.56	1.09
Proved Plus Probable	Light And Medium Crude Oil	93,365	28.69	4.78
	Heavy Crude Oil	-	-	-
	Conventional Natural Gas	984,256	8.58	1.43
	Coal Bed Methane	489	4.86	0.81
	(Including associated by-products) ⁽²⁾			
	Total	1,078,110	5.92	0.99

Notes:

- (1) Unit values are based on net reserves.
(2) Includes corporate Gas Cost Allowance, if applicable.

Definitions and Additional Notes to Reserves Data Tables

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of Proved, Probable and possible Reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

In the tables set forth under the heading "*Statement of Reserves Data and Other Oil and Gas Information*" and elsewhere in this AIF the following definitions and notes are applicable:

"Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable reserves.

"Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved reserves.

"Reserves" or **"reserves"** are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed nonproducing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserve estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- (b) at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and

- (c) at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods. Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

"development costs" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and natural gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill, complete and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems.

"development well" means a well drilled inside the established limits of an oil or natural gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling, completing and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

"exploratory well" means a well that is not a development well, a service well or a stratigraphic test well.

"future net revenue" means a forecast of revenue, estimated using forecast prices and costs or constant prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs and abandonment and reclamation costs.

"gross" means:

- (a) in relation to the Company's interest in production or reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company;
- (b) in relation to wells, the total number of wells in which the Company has an interest; and
- (c) in relation to properties, the total area of properties in which the Company has an interest.

"net" means

- (a) in relation to the Company's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves;
- (b) in relation to the Company's interest in wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and
- (c) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

"service well" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, saltwater disposal, water supply for injection, observation, or injection for combustion.

"abandonment and reclamation costs" represent all costs associated with the process of restoring a company's well sites with booked reserves which have been disturbed by oil and gas activities, existing and to be incurred, to a standard imposed by applicable government or regulatory authorities.

Pricing Assumptions

The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized in the McDaniel Report were McDaniel's forecasts, as at December 31, 2020, as follows:

Year	Crude Oil WTI Cushing Oklahoma (US\$/Bbl)	Edmonton Light Crude Oil (C\$/Bbl)	Western Canadian Select (C\$/Bbl)	Edmonton Ethane (C\$/Bbl)	Edmonton Propane (C\$/Bbl)	Edmonton Butane (C\$/Bbl)	Edmonton Cond. & Natural gasoline (C\$/Bbl)	Alberta AECO Spot Price (C\$/MM Btu)	Capital / Operating Cost Inflation Rate (%/Yr) ⁽¹⁾	Exchange Rate (US\$/C\$)
2021	47.17	55.76	44.63	8.91	18.18	26.36	59.24	2.78	0.00	0.7680
2022	50.17	59.89	48.18	8.65	21.91	32.85	63.19	2.70	1.30	0.7650
2023	53.17	63.48	52.10	8.35	24.57	39.20	67.34	2.61	2.00	0.7630
2024	54.97	65.76	54.10	8.46	25.47	40.65	69.77	2.65	2.00	0.7630
2025	56.07	67.13	55.19	8.63	26.00	41.50	71.18	2.70	2.00	0.7630
2026	57.19	68.53	56.29	8.81	26.54	42.36	72.61	2.76	2.00	0.7630
2027	58.34	69.95	57.42	8.99	27.09	43.24	74.07	2.81	2.00	0.7630
2028	59.50	71.40	58.57	9.17	27.65	44.14	75.56	2.87	2.00	0.7630
2029	60.69	72.88	59.74	9.36	28.23	45.06	77.08	2.92	2.00	0.7630
2030	61.91	74.34	60.93	9.54	28.79	45.96	78.62	2.98	2.00	0.7630
2031	63.15	75.83	62.15	9.74	29.37	46.88	80.20	3.04	2.00	0.7630
Thereafter				Escalation rate of 2%					2.00	0.7630

Note:

(1) Exchange rates used to generate the benchmark reference prices in this table.

Spartan's weighted average realized sales prices for the year ended December 31, 2020 were \$46.03/Bbl light and medium crude oil, \$21.66/Bbl for NGL and \$2.42/Mcf for natural gas. The average realized price on a total oil equivalent basis was \$17.07/BOE.

Reserves Reconciliation

The following table sets forth a reconciliation of Spartan's total Proved, Probable and total Proved plus Probable Reserves (gross) as at December 31, 2020 against such Reserves as at December 31, 2019 based on forecast price and cost assumptions:

Factors	Light and Medium Crude			Conventional Natural Gas ⁽²⁾		
	Proved (mdbl)	Probable (mdbl)	Proved and Probable (mdbl)	Proved (mmcf)	Probable (mmcf)	Proved and Probable (mmcf)
December 31, 2019	656	801	1,457	5,631	4,689	10,320
Extensions & Improved Recovery ⁽³⁾	-	-	-	12,859	3,216	16,075
Technical Revisions ⁽⁴⁾	(592)	166	(426)	(2,575)	1,637	(938)
Acquisitions ⁽⁵⁾	2,605	1,483	4,088	564,345	281,239	845,584
Production	(72)	-	(72)	(23,287)	-	(23,287)
December 31, 2020	2,597	2,450	5,048	556,973	290,781	847,754

Factors	Natural Gas Liquids			Total		
	Proved (mdbl)	Probable (mdbl)	Proved and Probable (mdbl)	Proved (MBOE)	Probable (MBOE)	Proved and Probable (MBOE)
December 31, 2019	76	61	137	1,670	1,644	3,314
Extensions & Improved Recovery ⁽³⁾	1,354	339	1,693	3,497	875	4,372
Technical Revisions ⁽⁴⁾	77	44	121	(944)	483	(461)
Acquisitions ⁽⁵⁾	39,735	20,606	60,342	136,398	68,963	205,361
Production	(1,691)	-	(1,691)	(5,644)	-	(5,644)
December 31, 2020	39,551	21,050	60,601	134,977	71,965	206,942

Notes:

- (1) Gross Reserves means the Company's working interest reserves before calculation of royalties and before consideration of the Company's royalty interests.
- (2) Includes solution gas volumes.
- (3) The extensions and improved recovery amount includes all new wells drilled and booked during the year. Reserves were added due to the wells that were drilled and brought on production at the end of the year as part of the Company's 2020 capital program.
- (4) The technical revisions amount includes all changes in reserves due to well performance and all previously booked wells which were drilled during the year. Such revisions include adjustments in future development plans regarding a portion of the Company's Peace River arch Charlie Lake locations. The Company removed 3 net locations from reserves due to large infrastructure costs that would be required to place those locations on production, making them uneconomic.
- (5) The acquisitions amount is the estimate of reserves at December 31, 2020. Revisions were a result of the Bellatrix Acquisition, which closed June 1, 2020, and make up the majority of the Company's current reserves.
- (6) No reconciliations were required due to dispositions or economic factors.

Additional Information Relating to Reserves Data

Undeveloped Reserves

The following discussion generally describes the basis on which Spartan attributes Proved and Probable Undeveloped Reserves and the Company's plans for developing those Undeveloped Reserves. Undeveloped Reserves are attributed by McDaniel in accordance with the standards and procedures contained in the COGE Handbook. Proved Undeveloped Reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable Undeveloped Reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production.

Proved Undeveloped Reserves

The following table discloses, for each product type, the volumes of gross Proved Undeveloped Reserves that were attributed in each of the most recent three financial years.

Year	Light and Medium Oil (Mbbbl)		Conv. Natural Gas (MMcf)		Natural Gas Liquids (Mbbbl)	
	First Attributed ⁽¹⁾	Cumulative at Year End	First Attributed ⁽¹⁾	Cumulative at Year End	First Attributed ⁽¹⁾	Cumulative at Year End
December 31, 2018	-	119	-	1,119	-	16
December 31, 2019	498	558	1,790	2,890	26	40
December 31, 2020	1,719	1,719	279,507	279,507	19,348	19,348

Note:

(1) Refers to reserves first attributed in this fiscal year ending on the effective date.

Proved Undeveloped Reserves have been assigned in most instances, directly offsetting existing producing wells that are producing from either the same or a similar accumulation or pool. Reserves in these areas can be estimated with a high degree of certainty. The majority of the Proved Undeveloped Reserves are planned for development over the next three years and all will be developed within 5 years. All of the Proved Undeveloped Reserves are within the Company's core area of west central Alberta. Spartan's timeline for developing Undeveloped Reserves is reflective of the Company's current business plan of having sustainable long-term production growth while managing corporate declines and company cash flow. A number of factors that could result in delayed or cancelled development include: (a) changing economic conditions such as pricing, operating costs, and capital expenditures; (b) changing technical conditions related to well performance, such as water breakthrough, and or accelerated depletion; (c) capital allocation based on new or other opportunities available to Spartan in any given year; and (d) surface access issues (landowners, weather conditions, regulatory approvals).

Probable Undeveloped Reserves

The following table discloses, for each product type, the volumes of gross Probable Undeveloped Reserves that were attributed in each of the most recent three financial years.

Year	Light and Medium Oil (Mbbbl)		Conv. Natural Gas (MMcf)		Natural Gas Liquids (Mbbbl)	
	First Attributed ⁽¹⁾	Cumulative at Year End	First Attributed ⁽¹⁾	Cumulative at Year End	First Attributed ⁽¹⁾	Cumulative at Year End
December 31, 2018	281	514	1,266	2,671	18	39
December 31, 2019	366	764	1,576	3,908	21	51
December 31, 2020	1,298	2,243	222,593	228,198	16,379	16,473

Note:

(1) Refers to reserves first attributed in this fiscal year ending on the effective date.

Probable Undeveloped Reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. These reserves can also be a function of the timing of when the reserves are planned to be developed. Reserves not developed within five years can only be considered probable. These Probable Undeveloped Reserves are in the Company's core area where significant capital has been committed to developing these assets. All of these reserves are planned to be on stream within a seven-year timeframe. However, if the economic climate is not conducive to developing these reserves during such timeframe, Spartan may, in its discretion, defer the development. There are a number of factors that could result in delays or cancelled development plans, including changing economic and technical conditions, surface access issues, the availability of services and access to pipeline or processing facilities.

Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, prices and economic conditions and other assumptions that may affect the reserve estimates and the present value, including: (a) historical production in the area compared to offsetting analogous production; (b) initial production and production decline rates; (c) ultimate recovery of reserves; (d) results from future development activities; (e) marketability of production; and (f) effects of government regulations and any government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserves estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information.

Spartan does not anticipate any significant economic factors or significant uncertainties will affect any particular components of its reserves data. However, the Company's reserves can be affected significantly by fluctuations in commodity product pricing, capital expenditures, operating costs, royalty regimes and other government restrictions and well performance that are beyond its control. See "Risk Factors" for further details. See Note 9 of the Company's Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for Spartan's decommissioning obligations. Provisions for the abandonment and reclamation of all of the Company's existing and future wells to a standard imposed by applicable government or regulatory authorities have been included in estimates of the Company's reserves. The McDaniel Report deducted \$171.1 million (undiscounted) and \$21.8 million (10% discount) for abandonment and reclamation. These abandonment and reclamation costs included all surface leases, wells (including inactive), pipelines and facilities and were supplied by Spartan to McDaniel for their evaluation.

Although every reasonable effort is made to ensure that reserves estimates are accurate, reserves estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserves estimates can arise from changes in year-end oil and natural gas prices and reservoir performance. Such revision can be either positive or negative.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Spartan's future net revenue attributable to the reserve categories noted below.

Year	Forecast Prices and Cost (Undiscounted) (In \$ thousands)	
	Proved Reserves	Proved Plus Probable
2021 ⁽¹⁾	44,921	44,892
2022	44,519	44,519
2023	47,335	47,335
2024	68,581	68,581
2025	61,122	61,122
Remaining	-	150,856
Total⁽²⁾	266,478	417,305

Notes:

- (1) 2021 Total Proved FDC is higher than Total Proved plus Probable FDC because 2 Proved Non-Producing wells were deemed uneconomic in the Total Proved plus Probable category due to higher operating expenses.
- (2) Future development costs shown are associated with booked reserves in the McDaniel report and do not necessarily represent the Company's full exploration and development budget.

Spartan typically has three sources of funding available to finance its capital expenditure program: internally generated adjusted funds flow, debt financing when appropriate and new equity issues, if available on favourable terms.

The Company expects to fully fund its 2021 capital program with internally generated adjusted funds flow and the program has been structured to maintain balance sheet strength. Management does not anticipate any costs of funding will materially affect Spartan's disclosed reserves and future net revenues nor make the development of any of its properties uneconomic.

Other Oil and Natural Gas Information

Principal Properties

The following is a description of Spartan's principal oil and natural gas properties that are on production or under development as at December 31, 2020. Information in respect of current production is average production, net to its working interest, except where otherwise indicated. Reserves noted are company interest reserves which include both working interest and royalty interest values.

Spartan's oil and natural gas properties are all onshore located predominantly in the province of Alberta, largely targeting the liquids rich Spirit River and Cardium oil plays in Central Alberta. A summary of the important oil and natural gas properties by area as at December 31, 2020 follows.

West Central Alberta

Spartan has interests in 119,668 net acres of land in the Ferrier, Baptise, Brazeau and Willesden Green areas of Alberta. Spartan is currently developing four primary formations in this area, the Cardium and three other formations in the Spirit River horizon (Falher B, Falher A and Notikewin). The Spirit River formations can be characterized as liquid rich natural gas formations, whereas the Cardium formation varies from volatile oil to very liquids rich gas across west-central Alberta. This area is being developed using horizontal multi-fracture wells, with a go-forward focus on extended reach horizontals.

Spartan owns producing infrastructure across its west-central Alberta area, with minority non-operated working interests in two natural gas processing facilities. Spartan also operates the O'Chiese Nees-Ohpawganu's Gas Plant, and owns and operates a number of compression facilities and numerous gathering pipelines in the area.

Other Alberta Minor Properties

Spartan has interests in 214,349 net acres of land in the remainder of Alberta. These lands are spread all over Alberta and include an operated position in the Peace River Arch ("**PRA**") and various small non-operated properties across Alberta. Spartan is currently producing from three primary formations in the PRA area: Charlie Lake, Bluesky and Montney. Charlie Lake is an oil-rich formation, while the Montney and Bluesky are both producing from natural gas horizons.

British Columbia

Spartan has interests in 22,060 net acres of land in British Columbia. At year-end 2020, the Company had no reserves booked; however, the Simonette Acquisition added approximately production in the Noel area of north-east British Columbia following year-end.

Saskatchewan

Spartan has interests in 20,452 net acres of land in Merryflat and Elmore areas of Saskatchewan. Spartan's only producing wells in the area include two low working interest Frobisher oil wells in the Elmore area. The Company did not book any locations in Saskatchewan and has no near-term drilling plans for the area.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which the Company had a working interest as at December 31, 2020.

Area	Category	Oil Well		Natural Gas Wells ⁽¹⁾	
		Gross	Net	Gross	Net
Alberta	Producing	163.0	110.3	510.0	287.6
	Non-Producing ⁽²⁾	80.0	40.1	525.0	365.4
British Columbia	Producing	-	-	-	-
	Non-Producing ⁽²⁾	-	-	6.0	1.1
Saskatchewan	Producing	3.0	0.2	-	-
	Non-Producing ⁽²⁾	3.0	3.0	34.0	33.3
Total ⁽³⁾	Producing	166.0	110.5	510.0	287.6
	Non-Producing ⁽²⁾	83.0	43.7	565.0	399.8

Notes:

- (1) Includes conventional natural gas wells and CBM gas wells.
(2) Non-producing wells include wells that have been shut in and/or suspended.
(3) Excludes abandoned, water source, water injection and disposal wells.

Properties with No Attributable Reserves

The following table sets out the Company's developed and undeveloped land holdings as at December 31, 2020:

Province	Undeveloped Acres		Developed Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	128,462	94,197	381,14	239,821	509,603	334,018
British Columbia	62,142	20,071	7,602	1,989	69,745	22,060
Saskatchewan	7,964	7,691	13,368	12,761	21,332	20,452
Total	198,569	121,959	402,110	254,571	600,679	376,530

Spartan had 600,679 gross acres (243,086 gross hectares) and 376,530 net acres (152,376 net hectares) of developed and undeveloped land as at December 31, 2020 located in Alberta, British Columbia, and Saskatchewan. The Company has no work commitments currently scheduled on these lands. Spartan has leases on 10,071 gross (8,967 net) acres that expire in 2021. Some of these leases may be extended at the discretion of the leaseholder. The Company reviews the economic viability of these undeveloped properties on the basis of pricing and capital availability and allocation. There is no guarantee that commercial reserves will be discovered or developed on these properties.

Forward Contracts

Spartan is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. Spartan may use certain derivative financial instruments and foreign exchange contracts to reduce its exposure to fluctuations in commodity prices, increase the certainty of adjusted funds flow and to protect acquisition and development drilling economics. Such financial instruments are entered into solely for hedging purposes and are not used for trading or other speculative purposes. The Company may be exposed to losses in the event of default by the counterparties to these derivative instruments, but it manages this risk by diversifying its derivative portfolio amongst a number of financially sound counterparties. Spartan's Board of Directors reviews all derivative and foreign exchange contracts quarterly to ensure such transactions are conducted within risk management tolerances.

A list of the Company's derivative financial instruments as at December 31, 2020 can be found in note 4 of the Notes to the Consolidated Financial Statements for the years ended December 31, 2020 and 2019.

Tax Horizon

Spartan was not required to pay income taxes during the current year as the Company had sufficient tax deductions available to shelter taxable income. As at December 31, 2020, Spartan had approximately \$117.5 million of tax pools available. Spartan does not expect to pay cash income taxes for the foreseeable future based upon current legislation, completion of the January 2021 Acquisition and the Inception Acquisition, the Company's planned capital expenditures and acquisitions for 2021, and various other assumptions. A higher level of capital expenditures than those currently contemplated for 2021 as well as potential future acquisitions, could further extend the estimated tax horizon.

Costs Incurred

The following table summarizes Spartan's corporate and property acquisition costs, exploration costs and development costs, before property dispositions, for the year ended December 31, 2020. The amounts reported as unproved acquisition costs and exploration costs are consistent with capital expenditures classified as exploration and evaluation assets under IFRS. The amounts reported as proved acquisition costs and development costs are consistent with capital expenditures classified as property, plant and equipment under IFRS.

Acquisitions and Capital Expenditures	
Nature of Cost	Amount (M\$)
Corporate Acquisition Costs ⁽¹⁾	-
Property Acquisition Costs	
Unproved	895
Proved	204,294
Exploration Costs ⁽²⁾	1,302
Development Costs ⁽³⁾	15,518
Total	222,009

Notes:

- (1) Cost of land acquired and non-producing lease rentals on those lands.
(2) Geological and geophysical capital expenditures and drilling costs for exploration wells.

(3) Development costs include development drilling costs and equipping, tie-in and facility costs for all wells.

Exploration and Development Activities

The following table sets forth the gross and net development wells completed by Spartan during the financial year ended December 31, 2020.

	Development Wells		Exploration Wells	
	Gross	Net	Gross	Net
Light and Medium Crude Oil	-	-	-	-
Heavy Crude Oil	-	-	-	-
Conventional Natural Gas	4.0	4.0	-	-
Service	-	-	-	-
Dry and Abandoned	-	-	-	-
Stratigraphic Test	-	-	-	-
Total	4.0	4.0	-	-

See "Principal Properties" above for a description of Spartan's exploration and development plans.

Production Estimates

The following table sets out the first-year production forecast of volumes of Spartan's working interest (Company Gross) production for each product type estimated by McDaniel for the year ended December 31, 2020, which is reflected in the estimate of future net revenue disclosed in the forecast price tables contained above under the subheading "Disclosures of Reserves Data".

	Gross Lt & Med Crude Oil (bbl/d)	Gross Conventional Natural Gas (Mcf/d)	Gross Natural Gas Liquids (bbl/d)	Gross Barrel of Oil Equivalent (BOE/d)
Proved				
Ferrier	115.5	82,371.6	6,362.2	20,206.3
Baptiste	61.0	16,962.0	1,323.8	4,211.8
Brazeau	135.5	8,627.8	678.4	2,251.9
Willesden Green	7.8	10,683.0	394.4	2,182.7
Other	132.3	7,883.3	316.7	1,762.9
Total	452.1	126,527.7	9,075.5	30,615.6
Proved Plus Probable				
Ferrier	121.2	83,700.5	6,469.0	20,540.3
Baptiste	61.7	17,182.0	1,340.3	4,265.7
Brazeau	136.7	8,708.3	684.7	2,272.8
Willesden Green	7.5	10,859.8	400.7	2,218.2
Other	134.8	7,994.9	231.8	1,789.1
Total	461.9	128,445.5	9,216.5	31,086.0

2020 Production History

The following tables disclose, on a quarterly basis for the year ended December 31, 2020, Spartan's share of average daily production volumes, prior to royalties, average selling prices, realized gain and losses on commodity price risk financial instruments, royalties paid, transportation and operating expenses incurred, and Operating Netbacks on a per unit of volume basis for each product type.

	Three Months Ended, 2020				Year Ended
	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec-20
Average Daily Production					
Light and Medium Crude Oil (Bbl/d)	26	106	318	332	196
Heavy Crude Oil (Bbl/d)	-	-	-	-	-
NGLs (Bbl/d)	17	2,610	7,924	7,859	4,621
Conventional Natural Gas (Mcf/d)	1,247	37,140	108,237	106,912	63,625
Total (BOE/d)	251	8,906	26,282	26,010	15,421

	Three Months Ended, 2020				Year Ended
	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec-20
Average Realized Selling Prices					
Light and Medium Crude Oil (\$/Bbl)	43.14	45.08	44.56	47.95	46.03
Heavy Crude Oil (\$/Bbl)	-	-	-	-	-
NGLs (\$/Bbl)	41.27	19.34	20.50	23.55	21.66
Conventional Natural Gas (\$/Mcf)	1.83	1.94	2.30	2.72	2.42
Total (\$/BOE)	16.34	14.31	16.19	18.89	17.07
Realized Commodity Price Hedging					
Light and Medium Crude Oil (\$/Bbl)	-	-	-	-	-
Heavy Crude Oil (\$/Bbl)	-	-	-	-	-
NGLs (\$/Bbl)	-	-	-	-	-
Conventional Natural Gas (\$/Mcf)	-	0.04	0.11	(0.22)	(0.04)
Total (\$/BOE)	-	0.17	0.44	(0.90)	(0.17)
Processing and Other Revenue					
Light and Medium Crude Oil (\$/Bbl)	-	-	-	-	-
Heavy Crude Oil (\$/Bbl)	-	-	-	-	-
NGLs (\$/Bbl)	-	-	-	-	-
Conventional Natural Gas (\$/Mcf)	0.33	0.12	0.08	0.11	0.10
Total (\$/BOE)	1.96	0.69	0.50	0.66	0.60
Royalties					
Light and Medium Crude Oil (\$/Bbl)	0.42	3.85	3.08	3.79	3.40
Heavy Crude Oil (\$/Bbl)	-	-	-	-	-
NGLs (\$/Bbl)	14.45	4.30	5.54	6.54	5.80
Conventional Natural Gas (\$/Mcf)	0.16	0.21	0.26	0.31	0.27
Total (\$/BOE)	0.06	0.93	1.37	2.01	1.57
Transportation Expenses					
Light and Medium Crude Oil (\$/Bbl)	-	1.04	0.58	1.34	0.96
Heavy Crude Oil (\$/Bbl)	-	-	-	-	-
NGLs (\$/Bbl)	-	2.78	2.70	2.71	2.71
Conventional Natural Gas (\$/Mcf)	-	0.13	0.13	0.13	0.13
Total (\$/BOE)	-	1.38	1.34	1.37	1.36
Operating Expenses					
Light and Medium Crude Oil (\$/Bbl)	22.57	6.96	6.10	5.68	6.11
Heavy Crude Oil (\$/Bbl)	-	-	-	-	-
NGLs (\$/Bbl)	22.57	6.96	6.10	5.68	6.11
Conventional Natural Gas (\$/Mcf)	3.76	1.16	1.02	0.95	1.02
Total (\$/BOE)	22.57	6.96	6.10	5.68	6.11
Operating Netbacks⁽¹⁾					
Light and Medium Crude Oil (\$/Bbl)	20.15	33.23	34.80	37.14	35.56
Heavy Crude Oil (\$/Bbl)	-	-	-	-	-
NGLs (\$/Bbl)	4.25	5.30	6.16	8.62	7.04
Conventional Natural Gas (\$/Mcf)	(1.77)	0.60	1.09	1.22	1.06
Total (\$/BOE)	(4.33)	5.90	8.32	9.59	8.46

Note:

(1) "Operating Netback" is a non-IFRS measure. See "Notice to Reader - Non-IFRS Measures" for more information.

The following table sets forth the average daily production volumes for the year ended December 31, 2020 for each of the important properties comprising Spartan's assets. In calculating average daily production over the 366-day year ended December 31, 2020, production from the properties acquired pursuant to the Bellatrix Acquisition is only included for the 214 day period from closing of the acquisition on June 1, 2020.

Property	Crude Oil Lt & Med (Bbl/d)	Crude Oil Heavy (Bbl/d)	Natural Gas Liquids (Bbl/d)	Conventional Natural Gas (Mcf/d)	Total (Boe/d)
Ferrier	25	-	3,170	42,074	10,207
Baptiste	26	-	796	8,358	2,215
Brazeau	71	-	365	4,305	1,154
Willesden Green	51	-	289	7,402	1,574
Other	23	-	1	1,486	271
Total	196	-	4,621	63,625	15,421

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. As at March 31, 2021, there are 113,932,285 Common Shares issued and outstanding. There are no Preferred Shares outstanding as at the date hereof. The following is a summary of the rights, privileges, restrictions and conditions attached to such securities.

Common Shares

The holders of Common Shares are entitled to receive notice of and attend all meetings of shareholders of Spartan (except meetings at which only holders of a specified class or series of shares are entitled to vote) and are entitled to one vote per Common Share. Subject to the prior rights of holders of Preferred Shares, holders of Common Shares are entitled to dividends, if, as and when declared by the Board, and, in the event of the liquidation, dissolution or winding-up of Spartan, or any other distribution of assets among its shareholders for the purpose of winding-up its affairs, to receive on a pro-rata basis all of the remaining property of Spartan.

Preferred Shares

The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board, who may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its Shareholders for the purpose of winding up its affairs, shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given such other preferences and priorities over the Common Shares and any other shares of the Company ranking junior to such series of Preferred Shares.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX-V under the trading symbol "**SDE**". The following table sets forth the market price ranges and the trading volumes of the Common Shares for the financial year ended December 31, 2020, as reported by the TSX-V, adjusted to reflect the Consolidation.

Month	High (\$)	Low (\$)	Volume
January, 2020	8.00	5.00	99,976
February, 2020	6.50	5.00	47,046
March, 2020	6.50	3.00	66,316
April, 2020	4.00	1.50	1,344,134
May, 2020	3.00	2.00	880,182
June, 2020	3.90	2.00	1,590,747
July, 2020	2.99	2.62	485,870
August, 2020	3.20	2.68	1,412,230
September, 2020	2.95	2.35	2,396,983
October, 2020	3.10	2.44	6,319,436

Month	High (\$)	Low (\$)	Volume
November, 2020	3.35	2.89	4,557,069
December, 2020	3.26	2.86	2,691,045

Prior Sales

During the year ended December 31, 2020, no securities have been issued by the Company that are outstanding but not listed or quoted on a marketplace, except as set forth below:

Class of Securities	Exercise Price (\$)	Number of Securities	Date of Issue
Options ⁽¹⁾	3.00	3,357,700	June 1, 2020
Options ⁽¹⁾	3.20	36,900	August 25, 2020
Options ⁽¹⁾	2.92	54,300	September 1, 2020
Options ⁽¹⁾	3.18	36,900	November 4, 2020

Note:

(1) Each Option entitles the holder thereof upon exercise to acquire one Common Share in accordance with the stock option plan of the Company.

DIVIDEND POLICY

Spartan has not declared or paid any dividends on the Common Shares since incorporation. Any decision to pay dividends on the Common Shares will be made by the Board on the basis of Spartan's earnings, financial requirements and other conditions existing at such future time.

DIRECTORS AND EXECUTIVE OFFICERS

The following table lists the names of the directors and officers, their municipalities of residence, positions and offices with the Company and principal occupations. All directors have been elected to serve as such until the Company's next annual meeting of shareholders, or until his or her successor is duly elected, unless his or her office is vacated earlier in accordance with the by-laws of the Company or applicable law.

Name, Municipality of Residence	Position with the Company	Principal Occupation During the Past 5 Years
Fotis Kalantzis <i>Alberta, Canada</i>	President and Chief Executive Officer Director since December 19, 2019	President and Chief Executive Officer of Spartan since December 19, 2019. Prior thereto, Senior Vice President, Exploration, of Spartan Energy Corp. (" Spartan Energy ") from March 2016 to May 2018; Vice President, Exploration, of Spartan Energy from December 2013 to March 2016.
Richard F. McHardy ⁽¹⁾⁽⁴⁾ <i>Alberta, Canada</i>	Executive Chairman Director since December 19, 2019	Executive Chairman of Spartan since December 19, 2019. Prior thereto, President, Chief Executive Officer and a director of Spartan Energy from December 2013 to May 2018.
Geri Greenall <i>Alberta, Canada</i>	Chief Financial Officer	Chief Financial Officer of Spartan since December 19, 2019. Independent director, Chair of the Reserves Evaluation Committee and a member of the Audit Committee of Kelt Exploration Ltd. since December 2017. Co-founder and Chief Financial Officer of Camber Capital Corp., a fund manager offering private client and institutional fund management services, from May 2011 to December 2019.
Thanos Natras <i>Alberta, Canada</i>	Vice President, Exploration	Vice President, Exploration, of Spartan since December 19, 2019. Prior thereto, Team Lead for southeast Saskatchewan operations with Vermilion Energy Inc. (" Vermilion ") from May 2018 to October 2018. Prior thereto, Manager, Geoscience, and Senior Geologist of Spartan Energy from January 2014 to May 2018.

Name, Municipality of Residence	Position with the Company	Principal Occupation During the Past 5 Years
Craig Martin <i>Alberta, Canada</i>	Vice President, Operations	Vice President, Operations, of Spartan since December 19, 2019. Prior thereto, Professional Engineer with Vermilion from May 2018 to October 2019. Prior thereto, Manager, Drilling and Completions, at Spartan Energy from February 2014 to May 2018.
Mark Hodgson <i>Alberta, Canada</i>	Vice President, Corporate Development	Vice President, Corporate Development, of Spartan since December 19, 2019. Prior thereto, Vice President, Operations, at Obsidian Energy Ltd. (" Obsidian ") from May 2018 to March 2019 and Vice President, Business Development, at Obsidian from February 2017 to May 2018. Prior thereto, Vice President, New Ventures, and In-Country Manager for Bankers Petroleum Ltd. in Albania, as well as the General Director for its subsidiaries in Croatia, Hungary and Romania, from December 2013 to December 2016.
Randy Berg <i>Alberta, Canada</i>	Vice President, Land	Vice President, Land, of Spartan since June 1, 2020. Prior thereto, Consultant at Chronos Resources Ltd. from November 2018 to March 2020. Vice President, Land at Spartan Energy from March 2016 to May 2018.
Ashley Hohm <i>Alberta, Canada</i>	Vice President, Finance and Controller	Vice President, Finance, and Controller of Spartan since March 11, 2021. Prior thereto, Controller of the Company from December 2019 to March 2021 and Vice President, Finance of Kelt Exploration Ltd. from March 2016 to April 2018.
Brendan Paton <i>Alberta, Canada</i>	Vice President, Engineering	Vice President, Engineering, of Spartan since March 11, 2021. Prior thereto, Manager (Engineering) of the Company from December 2019 to March 2021; President of Canoe Point Energy Ltd. from June 2018 to December 2019; and Production Engineer at Shell Canada Limited from July 2011 to June 2018.
Sony Gill <i>Alberta, Canada</i>	Corporate Secretary	Partner at Stikeman Elliott LLP, a national law firm, practicing primarily in the areas of corporate finance, securities and mergers and acquisitions transactions. Prior thereto, partner at another national law firm.
Donald Archibald ⁽¹⁾⁽³⁾ <i>Alberta, Canada</i>	Director since December 19, 2019	Independent businessman; President of Cypress Energy Corp., a private investment company, since March 2008. Mr. Archibald also serves on the board and various committees of Palisade Capital, Panorama Mountain Resort, Petronas Energy Canada, Serafina Energy Ltd. and Willow Biosciences Inc.
Reginald J. Greenslade ⁽²⁾⁽⁴⁾ <i>Alberta, Canada</i>	Director since December 19, 2019	Independent businessman since February 2013. Director of Spartan Energy from December 2013 to May 2018. President and Director of Tuscany International Drilling Inc. from April 2010 to February 2013.
Kevin Overstrom ⁽¹⁾⁽²⁾⁽³⁾ <i>Ontario, Canada</i>	Director since December 19, 2019	Founder and a principal of KO Capital Advisors Ltd., a private investment company, since September 2018. Prior thereto, Vice Chairman, Co-Head of Energy Investment Banking at GMP FirstEnergy (formerly GMP Securities) from June 2014 to September 2018.
Tamara MacDonald ⁽²⁾⁽³⁾⁽⁴⁾ <i>Alberta, Canada</i>	Director since December 19, 2019	Director of Southern Energy Corp. since December 2018. Prior thereto, Senior Vice President, Corporate and Business Development, of Crescent Point Energy Corp. from October 2004 to July 2018.
Elliot S. Weissbluth <i>Del Ray, Florida</i>	Director since March 18, 2021	Director of Inception from January 2020 to March 2021. Chairman of Hightower Inc. from January 2019 to December 2020. Founded Hightower Inc. in 2007 and served as its Chief Executive Officer until December 2018.

Name, Municipality of Residence	Position with the Company	Principal Occupation During the Past 5 Years
Steve Lowden <i>London, United Kingdom</i>	Director since March 18, 2021	Chairman of Inception from January 2020 to March 2021. Chairman of Palmers International Services since January 2018. Prior thereto, Chairman of NewAge (African Global Energy) Ltd. from January 2008 to January 2018.

Notes:

- (1) Member of the Company's Audit Committee.
- (2) Member of the Company's Compensation Committee.
- (3) Member of the Company's Corporate Governance Committee.
- (4) Member of the Company's Reserves and Environment Committee.

As of March 31, 2021, the directors and executive officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 13,274,199 Common Shares, representing approximately 11.65% of the Common Shares issued and outstanding on a non-diluted basis.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set forth below, to the knowledge of management of Spartan:

- (a) no director or executive officer is, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any other issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemptions under securities legislation that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) no director, executive officer or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such person: (i) is, or within the ten years prior to the date hereof has been, a director or executive officer that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years preceding the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or being subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual; and
- (c) no director, executive officer or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, within the last 10 years, has: (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Archibald was a director of Waldron Energy Corporation ("**Waldron**") from December 31, 2009 to August 17, 2015. On August 6, 2015, the secured subordinated lender of Waldron demanded repayment in full of all amounts owed to it under its credit facility and gave notice of its intention to enforce its security. This repayment demand created a cross-default between Waldron and its secured bank lender, which subsequently demanded repayment in full of all amounts owed to it under its credit facility and also gave notice of its intention to enforce its security. After various discussions between Waldron and both its lenders, Waldron consented to the appointment of a receiver and manager on August 13, 2015. On August 17, 2015, a receiver and manager was appointed over the

assets, undertakings and property of Waldron pursuant to an order of the Court of Queen's Bench of Alberta (the "**Court**").

Mr. Archibald was Chairman of Cequence Energy Ltd. ("**Cequence**") from July 30, 2009 to September 28, 2020. Pursuant to an amended and restated initial order of the Court on June 11, 2020, Cequence was granted authority to file with the Court a plan of compromise or arrangement under the Companies' Creditors Arrangement Act (the "**CCAA**"). On September 28, 2020, Cequence implemented a plan of compromise and arrangement (the "**CCAA Plan**") which was sanctioned on September 17, 2020 by order of the Court. The CCAA Plan marked the conclusion of the CCAA proceedings.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Spartan will be subject in connection with the operations of Spartan. In particular, certain of the directors and officers of Spartan are involved in managerial or director positions with other oil and gas companies, whose operations may, from time to time, be in direct competition with those of Spartan. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that, in the event that a director has an interest in a contract or a proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. As at the date of this Annual Information Form, Spartan is not aware of any existing or potential material conflicts of interest between Return and any director or officer of Spartan.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive regulation and control of operations (including with respect to land tenure, exploration, development, production, refining and upgrading, transportation, and marketing) as a result of legislation enacted by various levels of government and with respect to the pricing and taxation of crude oil and natural gas through legislation enacted by, and agreements among, the federal and provincial governments of Canada, all of which should be carefully considered by investors in the Canadian petroleum and natural gas industry. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted. While it is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other oil and gas corporations of similar size, investors should consider such legislation, regulations and agreements carefully. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and natural gas industry in Western Canada.

Pricing and Marketing in Canada

Crude Oil

In Canada, the producers of oil are entitled to negotiate sales contracts directly with oil purchasers, which means that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand, but regional market and transportation issues also influence prices. Specific prices that a producer receives will depend, in part, on oil quality, prices of competing fuels, distance to market, access to downstream transportation, value of refined products, length of contract term, weather conditions, the balance of supply and demand and other contractual terms.

Since early 2020, worldwide oversupply of crude oil, a lack of available storage capacity and decreased demand due to COVID-19 have had a significant impact on the pricing of crude oil. In an effort to stabilize global oil markets, OPEC and a number of other oil producing countries announced an agreement to cut crude oil production by approximately 10 million bbl/d in April 2020, which has been amended and adjusted throughout 2020 and early 2021 and remains subject to additional modification and uncertainty. This agreement has contributed to rebalancing global oil markets by achieving approximately 99.5% of agreed production adjustment commitments since May 2020; however, economic recovery has slowed due to a resurgence of COVID-19 and newly emerging virus variants throughout major economies. See "*Risk Factors – Impact of the COVID-19 Pandemic and Risks Related Thereto*" and "*Risk Factors – Commodity Prices, Markets and Marketing*".

Natural Gas Liquids

The pricing of condensates and other NGL such as ethane, butane, propane and pentane plus sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. The profitability of NGL extracted from natural gas is based on the products extracted being of greater economic value as separate commodities than as components of natural gas and therefore commanding higher prices. Such prices depend, in part, on the quality of the NGL, price of competing chemical stock, distance to market, access to downstream transportation, length of contract term, supply/demand balance and other contractual terms.

Natural Gas

Negotiations between buyers and sellers determines the price of natural gas sold in intra-provincial, interprovincial and international trade. The price received by a natural gas producer depends, in part, on the price of competing natural gas supplies and other fuels, natural gas quality, distance to market, availability of transportation, length of contract term, weather conditions, supply/demand balance and other contractual terms of sale. Spot and future prices can also be influenced by supply and demand fundamentals on various trading platforms.

Exports from Canada

On August 28, 2019, Bill C-69 came into force, replacing, among other things, the NEB Act with the CERA, the CEAA with the IAA and replacing the NEB with the CER. The CER has assumed the NEB's responsibilities broadly, including with respect to the export of crude oil, natural gas and NGL from Canada. The legislative regime relating to exports of crude oil, natural gas and NGL.

Exports of crude oil, natural gas and NGL from Canada are subject to CERA and remain subject to the *National Energy Board Act Part VI (Oil and Gas) Regulation* (the "**Part VI Regulation**") until such time as the Part VI Regulation is replaced. The CERA and the Part VI Regulation authorize crude oil, natural gas and NGL exports under: (i) short-term orders for up to one or two years depending on the substance, and up to 20 years for quantities of natural gas (other than NGL) not exceeding 30,000 m³ per day; or (ii) long-term export licences of up to 40 years for natural gas and up to 25 years for crude oil and other substances (e.g. NGL). With respect to applications for long-term export licenses, following a review of such applications by the CER, which may involve a public hearing, the CER can approve an application if it is satisfied, among other considerations, that the proposed export volumes are not greater than Canada's reasonably foreseeable needs. In addition to CER approval, long-term export licences also currently require various other ministerial and federal Cabinet approvals.

Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the CER and the federal government.

Transportation Constraints, Pipeline Capacity and Market Access

As discussed in more detail below, one major constraint to the export of crude oil, natural gas and NGL is the deficit of transportation capacity to transport production from the Western Canada to the U.S. and other international markets. Although certain pipeline and other transportation and export projects have been announced or are underway, many proposed projects have been cancelled or delayed due to regulatory hurdles, court challenges and economic and other socio-political factors. Due in part to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in Western Canada have experienced low commodity pricing relative to other markets in the last several years.

Pipelines

Producers negotiate with pipeline operators to transport their products to market on a firm, spot or interruptible basis depending on the specific pipeline and the specific substance. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers and the price received.

Under the Canadian Constitution, interprovincial and international pipelines fall within the federal government's jurisdiction and, under the CERA, new interprovincial and international pipelines will require a federal regulatory review and Cabinet approval before they can proceed. However, recent years have seen a perceived lack of policy

and regulatory certainty such that, even when projects are approved they often face delays due to actions taken by provincial and municipal governments and legal opposition related to issues such as Indigenous rights and title, the government's duty to consult and accommodate Indigenous peoples and the sufficiency of all relevant environmental review processes. Export pipelines from Canada to the United States face additional unpredictability as such pipelines require approvals of several levels of government in the United States.

In the face of such regulatory uncertainty, the Canadian petroleum and natural gas industry has experienced significant difficulty expanding the existing network of transportation infrastructure for crude oil, natural gas and NGL, including pipelines, rail, trucks and marine transport. Improved access to global markets through the midwest United States and export shipping terminals on the west coast of Canada could help to alleviate downward pressure on commodity prices. Several proposals have been announced to increase pipeline capacity from Western Canada to Eastern Canada, the United States, and other international markets via export terminals. While certain projects are proceeding, the regulatory approval process and other factors related to transportation and export infrastructure have led to the delay, suspension or cancellation of a number of pipeline projects.

Specific Pipeline Updates

The Enbridge Inc. ("**Enbridge**") Line 3 Replacement from Hardisty, Alberta, to Superior, Wisconsin, previously expected to be in-service in late 2019, has faced significant delays due to permitting difficulties in the United States. However, Minnesota regulators approved the final required permit for the project in November 2020. Certain segments of the Line 3 Replacement in North Dakota and Wisconsin are currently in operation and the Canadian portion of the replaced pipeline began commercial operation in December 2019. Construction of the Line 3 Replacement in Minnesota began in early December 2020; Enbridge expects the line to be in service in the fourth quarter of 2021.

The Trans Mountain Pipeline expansion received Cabinet approval in November 2016. Following a period of political opposition in British Columbia, the federal government acquired the Trans Mountain Pipeline in August 2018. Following the resolution of a number of legal challenges and a second regulatory hearing, construction on the Trans Mountain Pipeline expansion commenced in late 2019 and it is expected to be in-service in December 2022.

On March 31, 2020, TC Energy Corporation ("**TC Energy**") announced it would proceed with the Keystone XL Pipeline. TC Energy also announced that the Government of Alberta had made a US \$1.1 billion equity investment in the project and would guarantee a US \$4.2 billion project level credit facility. While construction on the Keystone XL Pipeline started in April 2020, the project remains subject to legal and regulatory barriers in the United States, including the cancellation of a presidential permit on January 20, 2021 that permits the Keystone XL Pipeline to operate across the international border.

In November 2020, the Attorney General of Michigan filed a lawsuit to terminate an easement that allows the Enbridge Line 5 pipeline system to operate below the Straits of Mackinac, potentially forcing the lines comprising this segment of the pipeline system to be shut down by May 2021. Enbridge filed a federal complaint in late November 2020 in the United States District Court for the Western District of Michigan and is seeking an injunction to prevent the termination of the easement. Enbridge stated in January 2021 that it intends to defy the shut down order, as the dual pipelines are in full compliance with U.S. federal safety standards.

Marine Tankers

Bill C-48 received royal assent on June 21, 2019, enacting the *Oil Tanker Moratorium Act*, which imposes a ban on tanker traffic transporting certain crude oil and NGL or persistent crude oil products in excess of 12,500 metric tonnes along British Columbia's north coast. The ban may prevent pipelines from being built to, and export terminals from being located on, the portion of the British Columbia coast subject to the moratorium. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation – Federal*".

Crude Oil and Bitumen by Rail

On February 19, 2019, the Government of Alberta announced that it would lease 4,400 rail cars capable of transporting 120,000 bbl/d of crude oil out of the province to help alleviate the transportation constraints impacting Canadian oil prices.

In the spring of 2019, the Government of Alberta announced it would cancel the program and assign the transportation contracts to industry proponents. In February 2020, the Government of Alberta announced it had sold \$10.6 billion worth of crude-by-rail contracts to the private sector.

Following two train derailments that led to fires and oil spills in Saskatchewan, the federal government announced in February 2020, that trains hauling more than 20 cars carrying dangerous goods, including crude oil and diluted bitumen, would be subject to reduced speed limits. The order was updated in early April and will remain in place until permanent rule changes are approved. As a result, trains subject to the order will be required to adhere to the reduced speed limits announced in February 2020 within metropolitan areas, with further mandatory speed reductions applying outside of metropolitan areas during winter months (November 15 to March 15).

Natural Gas and LNG

Natural gas prices in Alberta and British Columbia have also been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. Companies that secure firm access to infrastructure to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing. Companies without firm access may be forced to accept spot pricing in Western Canada for their natural gas, which in the last several years has generally been depressed (at times producers have received negative pricing for their natural gas production).

Required repairs or upgrades to existing pipeline systems in Western Canada have also led to further reduced capacity and apportionment of access, the effects of which have been exacerbated by storage limitations. However, in September 2019, the CER approved a policy change by TC Energy on its NOVA Gas Transmission Ltd. pipeline network (the "**NGTL System**") to prioritize deliveries into storage (the "**Temporary Service Protocol**"). The change stabilized supply and pricing, particularly during periods of maintenance on the system, but in February 2021, the CER refused to extend the Temporary Service Protocol. However, in October 2020, TC Energy received federal approval to expand the NGTL System. The expanded NGTL System is expected to be fully operational by April 2022.

Specific Pipeline and Proposed LNG Export Terminal Updates

While a number of LNG export plants have been proposed in Canada, regulatory and legal uncertainty, opposition from environmental and Indigenous groups, and changing market conditions have resulted in the cancellation or delay of many of these projects. Nonetheless, in October 2018, the joint venture partners of the LNG Canada LNG export terminal announced a positive final investment decision. Once complete, the project will allow LNG Canada to transport natural gas from northeastern British Columbia to the LNG Canada liquefaction facility and export terminal in Kitimat, British Columbia via the Coastal GasLink pipeline (the CGL Pipeline). Pre-construction activities began in November 2018, with a completion target of 2025. In late 2019, TC Energy announced that it would sell a 65% equity interest in the CGL Pipeline to investment companies KKR & Co Inc. and Alberta Investment Management Corporation while remaining the pipeline operator. The transaction closed in May 2020. Despite its approval, the CGL Pipeline has faced intense legal and social opposition. For example, protests involving the Hereditary Chiefs of the Wet'suwet'en First Nation and their supporters have caused delays to construction activities on the CGL Pipeline, although construction is proceeding.

In December 2019, the CER approved a 40-year export licence for the Kitimat LNG project, a proposed joint venture between Chevron Canada Limited and Woodside Energy International (Canada) Limited, a subsidiary of Woodside Petroleum Ltd. However, both partners are looking to sell some or all of their interest in the project. The Woodfibre LNG Project is a small-scale LNG processing and export facility near Squamish, British Columbia, and owned by Woodfibre LNG Limited a subsidiary of Singapore-based Pacific Oil and Gas Ltd. The BC Oil and Gas Commission (BC Commission) approved a project permit for the Woodfibre LNG Project, in July 2019. Pacific Oil and Gas Ltd. is expected to formally approve the project in the third quarter of 2021, with construction beginning shortly thereafter. GNL Québec Inc., the proponent of the Énergie Saguenay Project, is currently working its way through a federal impact assessment process for the construction and operation of an LNG facility and export terminal located on Saguenay Fjord, an inlet which feeds into the St. Lawrence River in Québec. The Énergie Saguenay Project is currently slated for completion in 2026. Pieridae Energy Ltd.'s (Pieridae) proposed Goldboro LNG project, located in Nova Scotia, would see LNG exported from Canada to European markets. Pieridae has a downstream agreement with Uniper, a German utility, for all of the LNG produced at Goldboro's train. The federal government has issued Goldboro LNG a 20-year export licence, but Pieridae has delayed its final investment decision until mid-2021. Finally, Cedar LNG Export Development Ltd.'s Cedar LNG Project near Kitimat, British Columbia, is currently in the

environmental assessment stage, with BC EAO conducting the environmental assessment on behalf of the IA Agency.

Enbridge Open Season

In August 2019, Enbridge initiated an open season for the Enbridge mainline system, which has historically operated as a common carrier pipeline system transporting crude oil. The changes that Enbridge intends to implement include the transition of the mainline system from a common carrier to a primarily contract carrier pipeline, wherein shippers will have to commit to reserved space in the pipeline for a fixed term, with only 10% of available capacity reserved for nominations. If the service change is approved, shippers seeking firm capacity on the Enbridge system would no longer be able to rely on the nomination process and would have to enter long-term contracts for service.

Several shippers challenged Enbridge's open season and, in particular, Enbridge's ability to engage in an open season without first obtaining prior regulatory approval to implement a contract carriage model. Following an expedited hearing process, the CER decided to shut down the open season, citing concerns about fairness and uncertainty regarding the ultimate terms and conditions of service. On December 19, 2019, Enbridge applied to the CER for approval of the proposed service and tolling framework. The regulatory hearing process is currently underway and a final decision from the CER is not expected until mid-2021. If Enbridge receives CER approval, it intends to hold the open season by the end of 2021.

Curtailment

December 2018, the Government of Alberta announced that, commencing January 1, 2019, it would mandate a short-term reduction in provincial crude oil and crude bitumen production. Under the Curtailment Rules, as amended, the Government of Alberta can, on a monthly basis, require crude oil and crude bitumen producers producing more than 20,000 bbl/d to limit their production according to a pre-determined formula that allocates production limits proportionately amongst all operators subject to curtailment orders.

Curtailment first took effect on January 1, 2019, limiting province-wide production of crude oil and crude bitumen to 3.56 million bbl/d. The curtailment rate dropped gradually over the course of 2019 and was set at 3.81 million bbl/d through 2020. As of January 2021, monthly oil production limits are no longer in effect. However, the Curtailment Rules, which were set to be repealed on December 31, 2020, have been extended so that the Government of Alberta retains the ability to impose production limits if needed.

The United States Mexico Canada Agreement and Other Trade Agreements

NAFTA / USMCA

On July 1, 2020, NAFTA, a free trade agreement among the governments of Canada, the United States and Mexico, was replaced by a new trade agreement, widely referred to as the USMCA, and sometimes referred to as the Canada United States Mexico Agreement. Because the United States remains Canada's primary trading partner and the largest international market for the export of crude oil, natural gas and NGL from Canada, the implementation of the USMCA could have an impact on Western Canada's petroleum and natural gas industry at large, including the Company's business.

While the proportionality rules in Article 605 of NAFTA previously prevented Canada from implementing policies that limit exports to the United States and Mexico relative to the total supply produced in Canada, the USMCA does not contain the same proportionality requirements. This may allow Canadian producers to develop a more diversified export portfolio than was possible under NAFTA, subject to the construction of infrastructure allowing more Canadian production to reach other international markets.

Other Trade Agreements

Canada and ten other countries recently concluded discussions and agreed on the draft text of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("**CPTPP**"), which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The CPTPP is in force among the first seven countries to ratify the agreement: Canada, Australia, Japan, Mexico, New Zealand, Vietnam, and Singapore.

Canada has also pursued a number of other international free trade agreements with countries around the world and, as a result, a number of free trade or similar agreements are in force between Canada and certain other countries. Canada and the European Union recently agreed to the Comprehensive Economic and Trade Agreement ("**CETA**"), which provides for duty-free, quota-free market access for Canadian crude oil and natural gas products to the European Union. Although CETA has not received full ratification by national legislatures in the European Union, provisional application of CETA commenced on September 21, 2017. In light of the United Kingdom's departure from the European Union (Brexit) on January 31, 2020, the United Kingdom and Canada have reached an interim post-Brexit trade agreement, the Canada-United Kingdom Trade Continuity Agreement ("**CUKTCA**"). On December 9, 2020, the Government of Canada introduced Bill C-18, an Act to Implement the Trade Continuity Agreement. CETA ceased to apply to Canada-United Kingdom trade on January 1, 2021. The CUKTCA replicates CETA on a bilateral basis and is meant to maintain the status quo of the Canada-United Kingdom trade relationship.

While it is uncertain what effect CETA, CPTPP, CUKTCA or any other trade agreements will have on the oil and gas industry in Canada, the lack of available infrastructure for the offshore export of oil and gas may limit the ability of Canadian oil and gas producers to benefit from such trade agreements.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments (i.e. the Crown). Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. The provincial governments in Western Canada's provinces conduct regular land sales where crude oil and natural gas companies bid for leases to explore for and produce crude oil and natural gas pursuant to mineral rights owned by the respective provincial governments. The leases generally have a fixed term; however, a lease may generally be continued after the initial term where certain minimum thresholds of production have been reached, all lease rental payments have been paid on time and other conditions are satisfied.

In response to COVID-19, the governments of Alberta, British Columbia and Saskatchewan have announced measures to extend or continue Crown leases and permits that may have otherwise expired in the months following the implementation of pandemic response measures. In March 2020, the British Columbia Ministry of Energy, Mines and Low Carbon Innovation announced that it was suspending posting requests and dispositions of petroleum and natural gas rights until further notice due to COVID-19.

To develop crude oil and natural gas resources, it is necessary for the mineral rights owner to have access to the surface lands as well. Each province has developed its own process for obtaining surface access to conduct operations that operators must follow throughout the lifespan of a well, including notification requirements and providing compensation for affected persons for lost land use and surface damage. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Each of the provinces in Western Canada have implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or license. In addition, Alberta has a policy of "shallow rights reversion" which provides for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for all leases and licenses. For leases and licenses issued subsequent to January 1, 2009, shallow rights reversion will be applied at the conclusion of the primary term of the lease or license. British Columbia has a policy of "zone specific retention" that allows a lessee to continue a lease for zones in which they can demonstrate the presence of oil or natural gas, with the remainder reverting to the Crown. Such reversionary rights may impact any GORR Interests granted out of Crown leases.

In addition to Crown ownership of the rights to crude oil and natural gas, private ownership of crude oil and natural gas (i.e. freehold mineral lands) also exists in Western Canada. In the provinces of Alberta, British Columbia, Saskatchewan and Manitoba approximately 19%, 6%, 20% and 80%, respectively, of the mineral rights are owned by private freehold owners, such as the Company. Rights to explore for and produce privately owned crude oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and companies seeking to explore for and/or develop crude oil and natural gas reserves.

An additional category of mineral rights ownership includes ownership by the Canadian Federal Government of some legacy mineral lands and within Indigenous reservations designated under the *Indian Act* (Canada). The IOGC, which is a federal government agency, manages subsurface and surface leases, in consultation with the applicable Indigenous peoples, for the exploration and production of crude oil and natural gas on Indigenous reservations.

Until recently, crude oil and natural gas activities conducted on Indian reserve lands were governed by the Indian Oil and Gas Act (the "**IOGA**") and the Indian Oil and Gas Regulations, 1995 (the "**1995 Regulations**"). In 2009, Parliament passed An Act to Amend the Indian Oil and Gas Act, amending and modernizing the IOGA (the "**Modernized IOGA**"), however the amendments were delayed until the federal government was able to complete stakeholder consultations and update the accompanying regulations (the "**2019 Regulations**"). The Modernized IOGA and the 2019 Regulations came into force on August 1, 2019 and further regulations are currently being developed.

The gross overriding royalty interests ("**GORR Interests**") are royalty interests that are granted or carved out of leasehold interests (created through the issuance of a lease by the Crown or fee simple mineral title owner). As such, the continued existence and value of the GORR Interests is dependent upon the validity and terms of the leasehold interest out of which they were granted.

In respect of the GORR Interests granted out of Crown leases, in addition to the varying terms and conditions set forth in provincial legislation, as discussed above, the provinces of Alberta, British Columbia, Saskatchewan, and Manitoba have implemented legislation providing for the reversion to the Crown of mineral rights to non-productive geological formations at the conclusion of the primary term of a lease or licence.

Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations which govern royalties, production rates and other matters. The royalty regime in a given province is in addition to applicable federal and provincial taxes and is a significant factor in the profitability of crude oil, NGL, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of production. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces have established incentive programs for exploration and development. Such programs often provide for volume-based incentive programs, royalty rate reductions, royalty holidays or royalty tax credits and may be introduced when commodity prices are low. The incentive programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. In addition, incentive programs may be introduced to encourage producers to prioritize certain kinds of development or undertake initiatives using new technologies that may enhance or improve recovery of crude oil, natural gas and NGL, or improve environmental performance.

The federal government also creates incentives and other financial aid programs intended to assist businesses operating in the petroleum and natural gas industry. Recently, these programs, including, but not limited to, programs that provide direct financial support to companies operating in the petroleum and natural gas industry and/or targeted funding for various initiatives related to industry diversification and environmental matters, including those programs created in response to the COVID-19 pandemic, have been administered through federal agencies such as the Business Development Bank of Canada, Natural Resources Canada, Export Development Canada, and Innovation, Science and Economic Development Canada.

Producers and working interest owners of oil and natural gas rights may also create additional royalties or royalty-like interests through non-public transactions, which include the creation of instruments such as overriding royalties, net profits interests and net carried interests, the terms of which are subject to negotiation.

Alberta

In Alberta, provincially set royalty rates apply to Crown-owned mineral rights and crude oil and natural gas producers are responsible for calculating their royalty rate on an ongoing basis.

In January 2016, the Government of Alberta announced further changes to the Alberta Royalty Framework. Under the new modern royalty framework (the "**MRF**"), the sliding scale royalty concept will be maintained, but will be achieved with a greater degree of simplicity. The new royalty percentage will be applied to the gross revenue generated from all hydrocarbons, with no differentiation between produced substances, and wells will be charged a flat 5% royalty rate until revenues exceed a normalized well cost allowance, which will be based on vertical well depth and lateral length. The calculation of this cost allowance, and other details regarding the various parameters within the new formula under the MRF was announced in 2016 and was fully implemented as of January 1, 2017. Prior to January 1, 2017, the former royalty framework continued to apply to any wells drilled prior to that date, and thereafter for a period of 10 years following which, such wells will be transitioned into the MRF. Any changes to the royalty regime in Alberta may have a material effect on the Company. See "*Risk Factors*".

In addition to any negotiated royalty amount payable to the freehold mineral owner, producers of oil and natural gas from freehold lands in Alberta are required to pay annual freehold mineral taxes. The freehold mineral tax is a tax levied by the Government of Alberta on the value of oil and natural gas production from non-Crown lands and is derived from the *Freehold Mineral Rights Tax Act* (Alberta). The freehold mineral tax is levied on an annual basis on calendar year production using a tax formula that takes into consideration, among other things, the amount of production, the hours of production, the value of each unit of production, the tax rate and the percentages that the owners hold in the title. The basic formula for the assessment of freehold mineral tax is: revenue less allocable costs equals net revenue divided by wellhead production equals the value based upon unit of production. If payors do not wish to file individual unit values, a default price is supplied by the Crown. On average, the tax levied is 4 percent of revenues reported from fee simple mineral title properties.

In July 2019, the Government of Alberta enacted the *Royalty Guarantee Act* which provides certainty that no major changes will be made to the current oil and gas royalty structure for a period of at least ten years.

Saskatchewan

In Saskatchewan, the Crown owns approximately 80% of the oil and gas rights, with the remainder being freehold lands. For the Crown lands, taxes (the "**Resource Surcharge**") and royalties are applicable to revenue generated by corporations focused on oil and gas operations. Crown royalties payable on the production of crude oil and natural gas are paid on a well-by-well basis. Producers of crude oil and natural gas receive royalty invoices from the Government of Saskatchewan on a monthly basis. The Resource Surcharge rate is 3% of the value of sales of all crude oil and natural gas produced from wells drilled in Saskatchewan prior to October 1, 2002. For crude oil and natural gas produced from wells drilled in Saskatchewan after September 30, 2002, the Resource Surcharge rate is 1.7% of the value of sales. Additionally, a mineral rights acreage tax is charged to mineral rights holders paid on an annual basis at the rate of \$1.50 per acre owned regardless of whether or not there is production from the lands.

In addition to such surcharges and taxes, the Crown royalty rate payable in respect of crude oil, depends on a number of variables including, the type and vintage of crude oil, the quantity of crude oil produced in a month, the average wellhead price and certain price adjustment factors determined monthly by the provincial government. This means that producers may pay varying royalties each month, depending on monthly production, governmental price adjustments and the underlying characteristics of the producer's assets. Where production equals the relevant reference well production rate, the minimum Crown royalty rate payable ranges from 5% to 20% and the maximum royalty rate payable ranges from 30% to 45%, depending on the classification of the crude oil, the average wellhead price and subject to applicable deductions.

The amount payable as a Crown royalty in respect of production of natural gas and NGL is determined by a sliding scale based on the monthly provincial average gas price published by the Government of Saskatchewan, the quantity produced in a given month, the type of natural gas, the classification of the natural gas and the finished drilling date of the respective well. Similar to crude oil royalties, the royalties payable on natural gas will range from 5% to 20%, and additional marginal royalty rates may apply between 30% to 45%, where average wellhead prices are above base prices. Again, this means that producers may pay varying royalties each month, depending on pricing factors, governmental adjustments and the underlying characteristics of the producer's assets.

The Government of Saskatchewan currently provides a number of targeted incentive programs. These include both royalty reduction and incentive volume programs, with targeted programs in effect for certain vertical crude oil wells, exploratory gas wells, horizontal crude oil and natural gas wells, enhanced crude oil recovery wells and high water-cut crude oil wells.

Royalty rates for the production of privately-owned crude oil and natural gas are negotiated between the producer and the resource owner. In addition, producers must pay a freehold production tax, determined by first determining the Crown royalty rate, and then subtracting a calculated production tax factor that depends on the classification of the petroleum substance produced.

British Columbia

Crown royalties payable on the production of oil and natural gas in British Columbia vary by market price, well type and the characteristics of the substances being produced. Producers of oil and natural gas receive royalty invoices each month for every well or unitized tract that is producing and/or reporting sales.

The Crown royalty rate for oil can be as high 40% and depends on factors such as the volume of oil produced from a particular well or unitized tract and its vintage. Royalty rates are reduced on certain wells, including low-productivity wells, to reflect higher per-unit costs of exploration and extraction. The Crown royalty rate for natural gas and NGLs in British Columbia varies depending on the characteristics of the specific substance and can be as high as 27%, depending on factors such as whether the gas is classified as conservation gas or non-conservation gas, the applicable reference price and select price.

Royalty rates for the production of privately owned oil and natural gas are negotiated between the producer and the resource owner. In addition to these negotiated royalties, producers of oil and natural gas from freehold lands in British Columbia also pay monthly freehold production taxes to the Government of British Columbia.

For oil, the applicable freehold production tax is based on the volume of monthly production, which is either a flat rate, or, beyond a certain production level, is determined using a sliding scale formula based on the production level. For natural gas, the applicable freehold production tax is a flat rate, or, at certain production levels, is determined using a sliding scale formula based on a reference price, and depends on whether the natural gas is conservation gas or non-conservation gas. Additionally, owners of mineral rights in British Columbia must pay an annual mineral land tax to the Government of British Columbia.

Freehold and Other Types of Non-Crown Land Royalties and Taxes

Royalties on production from privately-owned freehold lands are negotiated between the mineral freehold owner and the lessee under a negotiated lease or other contract. Producers and working interest participants may also pay additional royalties to parties other than the freehold mineral owner where such royalties are negotiated through private transactions.

In addition to the royalties payable to the mineral owners (or to other royalty holders if applicable), producers of crude oil and natural gas from freehold lands in each of the Western Canadian provinces are required to pay Freehold Mineral Taxes or production taxes. Freehold Mineral Taxes or production taxes are taxes levied by a provincial government on crude oil and natural gas production from lands where the Crown does not hold the mineral rights. A description of the Freehold Mineral Taxes payable in each of the Western Canadian provinces is included in the above descriptions of the royalty regimes in such provinces.

IOGC is a special agency responsible for managing and regulating the crude oil and natural gas resources located on indigenous reservations across Canada. IOGC's responsibilities include negotiating and issuing the crude oil and natural gas agreements between indigenous groups and crude oil and natural gas companies, as well as collecting royalty revenues on behalf of indigenous groups and depositing the revenues in their trust accounts. While certain standards exist, the exact terms and conditions of each crude oil and natural gas lease dictate the calculation of royalties owed, which may vary depending on the involvement of the specific indigenous group. Ultimately, the relevant indigenous group must approve the terms.

Production and Operation Regulations

The oil and natural gas industry in Canada is highly regulated and subject to significant control by provincial regulators. Regulatory approval is required for, among other things, the drilling of oil and natural gas wells, construction and operation of facilities, the storage, injection and disposal of substances and the abandonment and reclamation of well-sites. In order to conduct oil and gas operations and remain in good standing with the applicable provincial regulator, Spartan must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance with such legislation, regulations, orders, directives or other directions can be costly and a breach of the same may result in fines or other sanctions.

Regulatory Authorities and Environmental Regulation

The Canadian oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well, facility and pipeline sites. Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in suspension or revocation of necessary licences and authorizations, civil liability and the imposition of material fines and penalties.

In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and GHG emissions (typically measured in terms of their global warming potential and expressed in terms of CO₂e, may impose further requirements on operators and other companies in the petroleum and natural gas industry.

Federal

Canadian environmental regulation is the responsibility of the federal government and provincial governments. While provincial governments and their delegates are responsible for most environmental regulation, the federal government can regulate environmental matters where they impact matters of federal jurisdiction or when they arise from projects that are subject to federal jurisdiction, such as interprovincial transportation undertakings, including pipelines and railways, and activities carried out on federal lands. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law prevails, however, such conflicts are uncommon. The federal government has primary jurisdiction over federal works, undertakings and federally regulated industries such as railways, aviation and interprovincial transport. The CERA and the CEAA provide the foundation for the federal government to protect the environment and cooperate with provinces to do the same.

On August 28, 2019, with the passing of Bill C-69, the CERA and the IAA came into force and the NEB Act and the CEAA were repealed. As part of the regulatory transition, the IA Agency replaced the CEA Agency.

The enactment of the CERA and IAA introduced a number of important changes to the regulation of federally regulated major projects and their associated environmental assessments. Previously, the NEB administered its statutory jurisdiction as an integrated regulatory body. However, the CERA separates the CER's administrative and adjudicative functions. A board of directors and a chief executive officer will manage strategic, administrative and policy considerations while adjudicative functions fall to independent commissioners. Despite this structural change, the CER has assumed the jurisdiction previously held by the NEB over matters such as the environmental and economic regulation of pipelines, transmission infrastructure and offshore renewable energy projects, including offshore wind and tidal facilities. In its adjudicative role, the CERA tasks the CER with reviewing applications for the development, construction and operation of these projects, culminating in their eventual abandonment.

The IAA is similar to the repealed CEAA 2012 in that it relies on a designated project list as a trigger for a federal assessment. Designated projects that may have effects on matters within federal jurisdiction will generally require an impact assessment administered by the IA Agency or, in the case of certain pipelines, a joint review panel comprised of members from the CER and the IAA. The impact assessment requires consideration of the project's potential adverse effects and the overall societal impact that a project may have, both of which may include a

consideration of, among other items, environmental, biophysical and socioeconomic factors, climate change, and impacts to Indigenous rights. It also requires an expanded public interest assessment. The impact assessment must look at the direct result of the project's construction and operation. Designated projects specific to the petroleum and natural gas industry include pipelines that require more than 75 km of new right of way and pipelines located in national parks, large scale in situ oil sands projects not regulated by provincial GHG emissions caps and certain refining, processing and storage facilities.

The federal government has stated that an objective of the legislative changes was to improve decision certainty and turnaround times. Once a review or assessment is commenced under either the CERA or IAA, there are limits on the amount of time the relevant regulatory authority will have to issue its report and recommendation. Designated projects will go through a planning phase to determine the scope of the impact assessment, which the federal government has stated should provide more certainty as to the length of the full review process. The Government of Alberta has submitted a reference question to the Alberta Court of Appeal regarding the constitutionality of the IAA and the hearing is expected to take place in the first half of 2021.

On December 3, 2020, the Government of Canada tabled Bill C-15. Bill C-15 is the Government of Canada's response to requests to implement the United Nations Declaration of the Rights of Indigenous Peoples as a framework for reconciliation in Canada. The Bill is currently proceeding through the legislative process, where it is subject to change.

Alberta

The discharge of crude oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Spartan to incur costs to remedy such discharge in the event that they are not covered by the Company's insurance. Although the Company maintains insurance to industry standards, which in part covers liabilities associated with discharges, it is not certain that such insurance will cover all possible environmental events, foreseeable or otherwise, or whether changing regulatory requirements or emerging jurisprudence may render such insurance of little benefit. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and GHG emissions, may impose further requirements on operators and other companies in the oil and natural gas industry.

The AER is the principle regulator responsible for all energy development in Alberta. It derives its authority from the *Responsible Energy Development Act* and a number of related statutes including the OGCA, the *Oil Sands Conservation Act*, the *Pipeline Act*, and the *Environmental Protection and Enhancement Act*. The AER ensures the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources including allocating and conserving water resources, managing public lands, and protecting the environment. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as Alberta Energy's responsibility for mineral tenure.

The Government of Alberta relies on regional planning to accomplish its resource development goals. Its approach to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including Alberta Environment and Parks, Alberta Energy, the Policy Management Office, the Aboriginal Consultation Office and the Land Use Secretariat.

The Government of Alberta's land-use policy in Alberta sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The AER monitors seismic activity across Alberta to assess the risks associated with, and instances of, increased seismicity induced by hydraulic fracturing. Hydraulic fracturing involves the injection of water, sand or other proppants and additives under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate crude oil and natural gas production. In recent years, hydraulic fracturing has been linked to increased seismicity in the areas in which hydraulic fracturing takes place, prompting regulatory authorities to investigate the practice further.

The AER has developed monitoring and reporting requirements that apply to all crude oil and natural gas producers working in certain areas where the likelihood of increased seismic activity is higher, and implemented the requirements in Subsurface Order Nos. 2, 6 and 7. The regions with seismic protocols in place are Fox Creek, Red Deer, and Brazeau (the Seismic Protocol Regions). Crude oil and natural gas producers in each of the Seismic Protocol Regions are subject to a "traffic light" reporting system that sets thresholds on the Richter scale of earthquake magnitude. The thresholds vary among the Seismic Protocol Regions, and trigger a sliding scale of obligations from the crude oil or natural gas producers operating there. Such obligations range from no action required, to informing the AER and invoking an approved response plan, to ceasing operations and informing the AER. The AER has the discretion to suspend operations while it investigates following a seismic event until it has assessed the ongoing risk in a specific area and/or may require the operator to update its response plan. The AER may extend these requirements to other areas of Alberta if necessary, subject to the results of its ongoing province-wide monitoring.

Saskatchewan

The Saskatchewan Ministry of Energy and Resources is the primary regulator of crude oil and natural gas activities in the province. The Oil and Gas Conservation Act ("**SKOGCA**") is the act governing the regulation of resource development operations in the province, along with The Oil and Gas Conservation Regulations 2012 and The Petroleum Registry and Electronic Documents Regulations. The Government of Saskatchewan has implemented a number of operational requirements, including the increased demand for record-keeping, increased testing requirements for injection wells and increased investigation and enforcement powers; and, procedural requirements including those related to Saskatchewan's participation as partner in the Petrinex Database.

British Columbia

In British Columbia, the *Oil and Gas Activities Act* (the "**OGAA**") regulates conventional oil and natural gas producers, shale gas producers and other operators of oil and natural gas facilities in the province. Under the OGAA, the BC Commission has broad powers, particularly with respect to compliance, enforcement and the setting of technical safety and operational standards for oil and natural gas activities. The *Environmental Protection and Management Regulation* establishes the government's environmental objectives and requires the BC Commission to consider these environmental objectives in deciding whether or not to authorize a particular activity. In addition, the *Petroleum and Natural Gas Act*, in conjunction with the OGAA, requires proponents to obtain various approvals before undertaking exploration or production work. Such approvals are given subject to environmental considerations and permits, licences and project approvals can be suspended or cancelled for failure to comply with this legislation or its regulations.

The Government of British Columbia has introduced a regime to monitor and manage the risk of induced seismicity related to oil and natural gas operations, particularly in northern British Columbia, where hydraulic fracturing is used to access natural gas plays. The *Drilling and Production Regulation* requires a producer to suspend its operations if they trigger an earthquake with a magnitude on the Richter scale of 4.0 or greater, and to implement mitigation measures approved by the BC Commission before resuming production. In June 2016, the BC Commission amended the permitting process to require all natural gas producers to conduct ground monitoring, and to submit a ground monitoring report within 30 days of completing hydraulic fracturing operations.

In May 2018, the BC Commission issued a Special Project Order under section 75 of the OGAA, which designated the Kiskatinaw Seismic Monitoring and Mitigation Area, spanning between Fort St. John and Dawson Creek. Future earthquakes outside of the Kiskatinaw Area may trigger the introduction of similar requirements elsewhere in the province.

An updated *Environmental Assessment Act* came into force in December 2019. The new assessment regime subjects proposed projects to an enhanced environmental review process that, among other things, emphasises early engagement and aims to enhance Indigenous engagement in the project approval process with an emphasis on consensus-building. Simultaneously with the enactment of the *Environmental Assessment Act*, the Government of British Columbia enacted the accompanying *Reviewable Projects Regulation*, which sets out the projects subject to the new regime. The "project list" captures industrial, mining, energy, water management, waste disposal, transportation and other GHG intensive projects. In conducting an environmental assessment, the BC EAO will consider the environmental, health, cultural, social and economic effects of a proposed project.

Liability Management Rating Programs

Alberta

The AER administers the AB LMR Program. The AB LMR Program governs most conventional upstream crude oil and natural gas wells, facilities and pipelines. It consists of three distinct programs: the Licensee Liability Rating Program (the "**AB LLR Program**"), the Alberta Oilfield Waste Liability Program (the "**AB OWL Program**") and/or the Large Facility Liability Management Program (the "**AB LFP**"). If a licensee's deemed liabilities in the AB LLR Program, the AB OWL Program and/or the AB LFP exceed its deemed assets in those programs, the licensee must reduce its liabilities or provide the AER with a security deposit. Failure to do so may restrict the licensee's ability to transfer licenses.

This ratio of a licensee's assets to liabilities across the three programs is referred to as the licensee's LMR.

The AER previously assessed the LMR of all licensees on a monthly basis and posted the individual ratings on the AER's public website. However, in December 2019 the AER ceased posting the detailed LMR report, stating that resource and budget limitations have impacted its ability to maintain and administer the AB LLR Program. Licensees can continue to access their individual LMR calculations through the AER's Digital Data Submission System, but they do not have access to other licensees' LMR.

Complementing the AB LLR Program, Alberta's OGCA establishes an orphan fund (the "**Orphan Fund**") to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program and the AB OWL Program if a licensee or working interest participant becomes insolvent or is unable to meet its obligations. The Orphan Fund was originally conceived to be bankrolled exclusively by licensees in the AB LLR Program and AB OWL Program who contribute to a levy administered by the AER. However, the Government of Alberta has loaned the Orphan Fund approximately \$335 million, as more particularly described below. The Government also covered \$113 million in levy payments that licensees would otherwise have owed to the Orphan Fund, corresponding to the levy payments due for the first six months of the AER's fiscal year. A separate orphan levy applies to persons holding licences subject to the AB LFP. Collectively, these programs are designed to minimize the risk to the Orphan Fund posed by the unfunded liabilities of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines.

As a result of the Supreme Court of Canada's decision in *Orphan Well Association v Grant Thornton* (also known as the "**Redwater**" decision), receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets that have reached the end of their productive lives (and therefore represent a net liability) in order to deal primarily with the remaining productive and valuable assets without first satisfying any abandonment and reclamation obligations associated with the insolvent estate's assets. In April 2020, the Government of Alberta passed Bill 12: The Liabilities Management Statutes Amendment Act. Bill 12 places the burden of a defunct licensees' abandonment and reclamation obligations first on the defunct licensee's working interest partners, and second, the AER may order the Orphan Fund to assume care and custody and accelerate the clean-up of wells or sites which do not have a responsible owner. Bill 12 will come into force on proclamation.

In response to the increase in orphaned crude oil and natural gas sites and the environmental risks associated therewith, the AER has issued several bulletins and interim rule changes to govern the AER's administration of its licensing and liability management programs. For example, the AER amended its Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals, which deals with licence eligibility to operate wells and facilities, to require the provision of extensive corporate governance and shareholder information, including whether any director and officer was a director or officer of an energy company that has been subject to insolvency proceedings in the last five years.

All transfers of well, facility and pipeline licences in the province are subject to AER approval. As a condition of transferring existing AER licences, approvals and permits, all transfers are now assessed on a non-routine basis and the AER now requires all transferees to demonstrate that they have an LMR of 2.0 or higher immediately following the transfer, or to otherwise prove to the satisfaction of the AER that it can meet its abandonment and reclamation obligations.

Both the Government of Alberta and/or the AER may make further rule changes to Alberta's liability management programs at any time. For example, on July 30, 2020, the Government of Alberta announced a new Liability Management Framework (AB LMF) that will replace the AB LLR Program and its constituent programs. Among other changes under the AB LMF, the AB LLR Program will be replaced with the Licensee Capability Assessment System, which is intended to be a more comprehensive assessment of corporate health and will consider a wider variety of factors than those considered under the AB LLR Program and will establish clear expectations for industry with regards to the management of liabilities throughout the entire lifecycle of crude oil and natural gas projects. Importantly, the AB LMF will also provide proactive support to distressed operators and will require companies operating in Alberta's petroleum and natural gas industry to make mandatory annual minimum payments towards outstanding reclamation obligations in accordance with five year rolling spending targets. It is not yet clear how or when then AB LMF will be implemented.

The AER has also implemented the Inactive Well Compliance Program (the "**IWCP**") to address the growing inventory of inactive wells in Alberta and to increase the AER's surveillance and compliance efforts under Directive 013: Suspension Requirements for Wells ("**Directive 013**"). The IWCP applies to all inactive wells that are noncompliant with Directive 013 as of April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within five years. As of April 1, 2015, each licensee is required to bring 20% of its inactive wells into compliance every year, either by reactivating or by suspending the wells in accordance with Directive 013 or by abandoning them in accordance with Directive 020: Well Abandonment.

As part of its strategy to encourage the decommissioning, remediation and reclamation of inactive or marginal crude oil and natural gas infrastructure, the AER announced a voluntary area-based closure ("**ABC**") program in 2018. The ABC program is designed to reduce the cost of abandonment and reclamation operations through industry collaboration and economies of scale. Participants seeking to participate in the program must commit to an inactive liability reduction target to be met through closure work of inactive assets.

Saskatchewan

In Saskatchewan, the Ministry of Economy implements the Licensee Liability Rating Program (the "**SK LLR Program**"). The SK LLR Program is designed to assess and manage the financial risk that a licensee's well and facility abandonment and reclamation liabilities pose to an orphan fund (the "**Oil and Gas Orphan Fund**") established under the SKOGCA. The Oil and Gas Orphan Fund takes on the obligation of carrying out the abandonment and reclamation of wells and facilities contained within the SK LLR Program when a licensee or WIP is defunct or missing. The SK LLR Program requires all new licensees to submit a \$10,000 non-refundable Orphan Fund fee in order to be deemed eligible to transfer licences, and all licensees whose deemed liabilities exceed their deemed assets (i.e., an LLR of below 1.0) are required to post a security deposit. The ratio of deemed liabilities to deemed assets is assessed once each month for all licensees of oil, gas and service wells and upstream oil and gas facilities and this data is publicly available. On August 19, 2016, the Ministry of the Economy released a notice to all operators introducing interim measures in response to Redwater. Among other things, the Ministry announced that it considers all licence transfer applications non-routine as the Ministry does not strictly rely on the standard LMR calculation in evaluating deposit requirements, and that further changes may be forthcoming.

British Columbia

Similar to Alberta, the BC Commission oversees a Liability Management Rating Program (the "**BC LMR Program**"), which is designed to manage public liability exposure related to oil and natural gas activities by ensuring that permit holders carry the financial risks and regulatory responsibility of their operations through to regulatory closure. Under the BC LMR Program, the BC Commission determines the required security deposits for permit holders under the OGAA. The liability management rating is the ratio of a permit holder's deemed assets to deemed liabilities. Permit holders whose deemed liabilities exceed their deemed assets (i.e., a liability management rating below 1.0) will be considered at-risk and reviewed for a security deposit. Permit holders that fail to comply with security deposit requirements are deemed non-compliant under the OGAA and enter the compliance and enforcement framework.

In the spring of 2019, a liability-based levy paid to the Orphan Site Reclamation Fund ("**OSRF**") replaced the orphan site reclamation fund tax paid by permit holders. Similar to Alberta's Orphan Fund, the OSRF is an industry-funded program created to address the abandonment and reclamation costs for orphan sites. Permit holders are required to pay their proportionate share of the levy. The OGAA permits the BC Commission to impose more than one levy in a given calendar year.

The *Dormancy and Shutdown Regulation* (the "**Dormancy Regulation**") establishes the first set of legally imposed timelines for the restoration of oil and natural gas wells in Western Canada. The Dormancy Regulation classifies different sites based on activity levels associated with each site, with a goal of ensuring that 100% of currently dormant sites are reclaimed by 2036 with additional regulated timelines for sites that become dormant between 2019 and 2023 or become dormant after 2024. A permit holder will have varying reporting, decommissioning, remediation and reclamation obligations that depend on the classification of its sites. Any permit holder that has a dormant site in its portfolio must develop and submit an annual work plan to the BC Commission, outlining its decommissioning and restoration activities for each calendar year. The permit holder must also prepare and submit a retrospective annual report within 60 days of the end of the calendar year in which it conducted the work outlined in the corresponding annual work plan.

Federal and Provincial Support for Liability Management

As part of an announcement of federal relief for Canada's petroleum and natural gas industry in response to COVID-19, the federal government pledged \$1.72 billion to clean up orphan and inactive wells in Alberta, Saskatchewan and British Columbia. However, these funds are being administered by regulatory authorities in each province. In Alberta, the Ministry of Energy is disbursing its \$1 billion share of the federally provided funds through the Site Rehabilitation Program. The Government of British Columbia is disbursing its \$120 million share of the federally provided funds through three programs: the Dormant Sites Reclamation Program, the Orphan Sites Supplemental Reclamation Program and the Legacy Sites Reclamation Program. In addition to the funds administered by the respective provincial governments, the federal government announced a \$200 million loan to Alberta's Orphan Fund. And in early March 2020, the Government of Alberta announced an extension by up to \$100 million of an existing \$235 million loan to the Orphan Fund. In Saskatchewan, \$400 million in federal funding will be allocated through the Accelerated Site Closure Program (ASCP). The first phase of the ASCP will make \$100 million available to eligible service companies to conduct abandonment and reclamation work. Further tranches of the ASCP, up to \$300 million, will be made available in the future.

Climate Change Regulation

Climate change regulation at each of the international, federal and provincial levels has the potential to significantly affect the regulation of the oil and natural gas industry in Canada. These impacts are uncertain and it is not possible to predict the extent of future requirements. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Company's operations and cash flow. An example of a change in policy that may impact the petroleum and natural gas industry is the International Maritime Organization's implementation of a new regulation that limits the sulphur content of marine fuel oil, reducing the permissible amount of sulphur from 3.5% to 0.5%, effective January 1, 2020.

Federal

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "**UNFCCC**") since 1992. Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. On April 22, 2016, 197 countries signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. On January 20, 2021, President Biden of the United States signed an executive order to rejoin the Paris Agreement. To date, 189 of the 197 parties to the UNFCCC have ratified the Paris Agreement, including Canada. In December 2019, the United Nations annual Conference of the Parties took place in Madrid, Spain. The Conference concluded with the attendees delaying decisions about a prospective carbon market and emissions cuts until the next climate conference, scheduled to take place in November 2021.

The Government of Canada has pledged to cut its emissions by 30% from 2005 levels by 2030, but indicated in the recent Speech from the Throne (also referred to as the Throne Speech) that it may implement policy changes to exceed this target. Specific details have not yet been announced. In connection with this target, the Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016, setting out a plan to meet the federal government's 2030 emissions reduction targets.

On December 11, 2020, the Government of Canada released its Healthy Environment and a Healthy Economy Plan (the "**HEHE Plan**") which builds on the Pan-Canadian Framework and provides a road map forward to meet Canada's 2030 emissions reduction target. The HEHE Plan includes a \$3-billion investment over five years to a Net-Zero Accelerator Fund to invest in projects to decarbonize large emitters, scale-up clean technology and

otherwise accelerate industry transformation across all sectors. In addition, the HEHE Plan proposes to invest an additional \$964 million over four years towards renewable energy and grid modernization projects and \$300 million over five years to advance the use of clean and reliable energy in rural, remote and Indigenous communities. The third component of the HEHE Plan pertains to zero emission vehicles. This includes investing an additional \$287 million to continue the federal government's Incentives for Zero-Emission Vehicles program until March 2022, \$150 million over three years towards charging and refueling stations across Canada, and \$1.5 billion towards a Low-Carbon and Zero-Emissions Fuels Fund to increase the production of low-carbon fuels. Also of relevance to the petroleum and natural gas industry, the federal government has announced that it will implement a ban on certain single-use plastics in 2021.

On November 19, 2020, the federal government announced Bill C-12, an Act respecting transparency and accountability in Canada's efforts to achieve net-zero greenhouse gas emissions by the year 2050. Canada joins over 120 countries in committing to net-zero emissions by 2050, including the UK, Germany, France and Japan. Once passed, Bill C-12 will legally bind the federal government to a process to achieve net-zero emissions by 2050. The legislation will, among other things, set rolling five-year emissions-reduction targets (starting in 2030) and require plans to reach each target on a reporting basis and enshrine greater accountability and public transparency into Canada's plan for meeting net-zero emissions by 2050 by providing for independent third-party review by the Commissioner of the Environment and Sustainable Development.

On June 21, 2018, the federal government enacted the GGPPA, which came into force on January 1, 2019. This regime has two parts: an output-based pricing system for large industry and a regulatory fuel charge imposing an initial price of \$20/tonne of CO₂e emissions. This system applies in provinces and territories that request it and in those that do not have their own emissions pricing systems in place that meet the federal standards. The effect of the GGPPA is that, regardless of whether a particular province has enacted legislation of its own, there is a uniform price on emissions across the country. Under current federal plans, this price will escalate by \$10 per year until it reaches a price of \$50/tonne of CO₂e in 2022. Starting April 1, 2021, the minimum price permissible under the GGPPA is \$40/tonne of CO₂e. In addition, on March 5, 2021, the federal government introduced for comment the *Greenhouse Gas Offset Credit System Regulations (Canada)* (the "**Federal Offset Credit Regulations**"). The proposed Federal Offset Credit Regulations are intended to establish a regulatory framework to allow certain kinds of projects to generate and sell offset credits for use in the federal OBPS. The final Federal Offset Credit Regulations are expected to be put in place before the end of 2021.

Alberta, Saskatchewan, Ontario and Manitoba have challenged the constitutionality of the GGPPA. In both the Saskatchewan and Ontario references, the appellate Courts ruled in favour of the constitutionality of the GGPPA; the Alberta Court of Appeal determined that the GGPPA is unconstitutional. All three judgments have been appealed to the Supreme Court of Canada and the hearing took place in September 2020. A decision is expected in early 2021, Manitoba's judicial review application was heard by the Federal Court of Canada on December 7, 2020.

On April 26, 2018, the federal government passed the *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)* (the "**Federal Methane Regulations**"). The Federal Methane Regulations seek to reduce emissions of methane from the petroleum and natural gas industry, and came into force on January 1, 2020. By introducing a number of new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and the intentional venting of methane, as well as ensuring that crude oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent. The federal government anticipates that these actions will reduce annual GHG emissions by about 20 megatonnes by 2030.

As part of its efforts to provide relief to Canada's petroleum and natural gas industry in light of the COVID-19 pandemic, on October 29, 2020, the federal government launched the \$750-million Emission Reduction Fund to reduce methane and GHG emissions. The fund will provide repayable funding to eligible onshore and offshore crude oil and natural gas companies to support investments to reduce GHG emissions by adopting greener technologies.

In October 2018, the federal government announced a pricing scheme as an alternative for large electricity generators to incentivize a reduction in emissions intensity, rather than encouraging a reduction in generation capacity.

The federal government has enacted the Multi-Sector Air Pollutants Regulation under the authority of the Canadian Environmental Protection Act, 1999, which seeks to regulate certain industrial facilities and equipment types, including boilers and heaters used in the upstream petroleum and natural gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

The federal government has also announced that it will proceed with the development and implementation of a Clean Fuel Standard ("**CFS**") that will require producers, importers and distributors to reduce the emissions intensity of gaseous, liquid and solid fuels. On December 18, 2020, the federal government published proposed CFS regulations, the final regulations of which are expected to be published in 2021 with the CFS regulations scheduled to come into force in 2022. The proposed CFS regulations take a performance-based approach to reducing greenhouse gas emissions. The CFS regulations require suppliers of liquid fuels, such as gasoline, diesel and kerosene to gradually cut the amount of carbon in their product. It is the goal of the program to incentivize innovation and adoption of clean technologies while giving fuel suppliers the ability to meet requirements in a cost-effective way that works for their business. The proposed regulations offer compliance credits to incentive industries to innovate and adopt cleaner technologies to lower their compliance costs.

Alberta

On November 22, 2015, the Government of Alberta introduced its Climate Leadership Plan. Under this strategy, the *Climate Leadership Act* (the "**CLA**") came into force on January 1, 2017 and established a fuel charge that was compliant with federal requirements. On December 14, 2016, the Oil Sands Emissions Limit Act came into force, establishing an annual 100 megatonne limit for GHG emissions from all oil sands sites, but the regulations necessary to enforce the limit have not yet been developed. In June 2019, the Government of Alberta repealed the CLA and the federal fuel charge took effect in Alberta. In accordance with the GGPPA, the fuel charge payable in Alberta is currently \$30/tonne of CO₂e and will increase to \$40/tonne on April 1, 2021. In December 2019, the federal government approved Alberta's Technology Innovation and Emissions Reduction ("**TIER**") regulation which applies to large emitters. The TIER regulation came into effect on January 1, 2020 and replaces the previous Carbon Competitiveness Incentives Regulations.

The TIER regulation applies to emitters that emit more than 100,000 tonnes of CO₂e per year in 2016 or any subsequent year. The 2020 target for most TIER-regulated facilities is to reduce emissions intensity by 10% as measured against that facility's individual benchmark, with a further 1% reduction for each subsequent year. The facility-specific benchmark does not apply to all facilities. Certain facilities, such as those in the electricity sector, are compared against the good-as-best-gas standard. Similarly, for facilities that have already made substantial headway in reducing their emissions, a different "high-performance" benchmark is available to ensure that the cost of ongoing compliance takes this into account. Under the TIER regulation, facilities in high-emitting sectors can opt-in to the program in specified circumstances despite the fact that they do not meet the 100,000 tonne threshold. To encourage compliance with the emissions intensity reduction targets, TIER-regulated facilities must provide annual compliance reports and facilities that are unable to achieve their targets may either purchase credits from other facilities, purchase carbon offsets, or pay a levy to the Government of Alberta.

The Government of Alberta aims to lower annual methane emissions by 45% by 2025. Pursuant to this goal, the Government of Alberta enacted the Methane Emission Reduction Regulation (the "**Alberta Methane Regulations**") on January 1, 2020, and the AER simultaneously released an updated edition of Directive 060: Upstream Petroleum Industry Flaring, Incinerating, and Venting ("**Directive 060**"). The release of the updated Directive 060 complements a previously released update to Directive 017: Measurement Requirements for Oil and Gas Operations that took effect in December 2018. Together, these new directives represent Alberta's first step toward achieving its 2025 goal. In May 2020, the Government of Alberta and Canada and the Government of Alberta have not yet reached an equivalency agreement with respect to the Alberta Methane Regulations and the Federal Methane Regulations.

Alberta was also the first jurisdiction in North America to direct dedicated funding to implement carbon capture and storage technology across industrial sectors. Alberta has committed \$1.24 billion through 2025 to fund two commercial-scale carbon capture and storage projects that will begin commercializing the technology on the scale needed to be successful. Both projects will help reduce the CO₂ emissions from the oil sands and fertilizer sectors, and reduce GHG emissions by 2.76 million megatonnes per year. On December 2, 2010, the Government of Alberta passed the *Carbon Capture and Storage Statutes Amendment Act, 2010*, which deemed the pore space underlying all land in Alberta to be, and to have always been, the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions. This legislation is intended to encourage new carbon capture and storage projects in Alberta.

Saskatchewan

On May 11, 2009, the Government of Saskatchewan announced *The Management and Reduction of Greenhouse Gases Act* (the "**MRGGA**") to regulate GHG emissions in the province. The MRGGA, partially proclaimed into force on January 1, 2018, establishes a framework to reduce GHG emissions by 20% of 2006 levels by 2020. On October 18, 2016, the Government of Saskatchewan released a White Paper on Climate Change, resisting a carbon tax and committing to an approach that focuses on technological innovation and adaptation. The Government of Saskatchewan subsequently released *Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy* outlining its strategy to reduce GHG emissions by 12 million tonnes by 2030.

The MRGGA, which is partially compliant with the federal emissions trading system and was partially proclaimed into force on January 1, 2018, establishes a framework to reduce GHG emissions by 20% of 2006 levels by 2020. An amended version of the MRGGA was proclaimed in full on December 18, 2018, establishing the framework of an output-based emissions management framework.

Under the MRGGA, facilities that have annual GHG emissions in excess of 50,000 tonnes are regulated to meet the province's reduction targets. The following regulations were enacted throughout 2018: The Management and Reduction of Greenhouse Gases (General and Electricity Producer) Regulations, the Management and Reduction of Greenhouse Gases (Reporting and General) Regulations, and The Management and Reduction of Greenhouse Gases (Standards and Compliance) Regulations. These regulations establish reporting requirements and impose various emissions limits for those emitters that fall within the program. On January 1, 2019, The Oil and Gas Emissions Management Regulations (the Saskatchewan O&G Emissions Regulations) came into effect. The Saskatchewan O&G Emissions Regulations apply to licensees of oil facilities that may generate more than 50,000 tonnes of CO₂e per year, obliging each licensee to propose an emissions reduction plan in accordance with an annual emissions limit with the goal of achieving annual emissions reductions of 40 to 45% by 2025. The Saskatchewan O&G Emissions Regulations aim to reduce 4.5 million tonnes of CO₂e emissions by 2025, with a total reduction of 38.2 million tonnes CO₂e between 2020 and 2030.

On April 10, 2019, Saskatchewan produced the first annual report on climate resilience. The report measures the province's progress on goals set out under *Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy*. Among these goals is the aim of increasing the role of renewable energy in the provincial energy mix to 50% by 2030.

In October 2019, The Oil and Gas Conservation Amendment Act was proclaimed into force. This Act, in part, amends the SKOGCA to the extent necessary to bring it into alignment with the Saskatchewan O&G Emissions Regulations discussed above.

To facilitate its emissions reduction efforts, the Government of Saskatchewan has implemented Directive PNG017: Measurement Requirements for Oil and Gas Operations, which came into force in December 2019 and was amended in April 2020, and Directive PNG036: Venting and Flaring Requirements, which came into force in April 2020. Together with the Saskatchewan O&G Emissions Regulations, these directives enable the Government of Saskatchewan to regulate emissions reductions within the province. In November 2020, the Government of Canada and the Government of Saskatchewan announced that they had finalized an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply.

British Columbia

In August 2016, the Government of British Columbia launched its Climate Leadership Plan, which aims to reduce British Columbia's net annual emissions by up to 25 million tonnes below current forecasts by 2050 and recommit the province to achieving its target of reducing emissions by 80% below 2007 levels by 2050. British Columbia was also the first Canadian province to implement a revenue-neutral fuel charge. The fuel charge is currently set at \$40/tonne of CO₂e. In response to COVID-19, the Government of British Columbia has delayed the scheduled increase to \$45/tonne of CO₂e until April 1, 2021.

In January 2016, the *Greenhouse Gas Industrial Reporting and Control Act* (the "**GGIRCA**") came into effect, which streamlined the regulatory process for large emitting facilities. The GGIRCA sets out various performance standards for different industrial sectors and provides for emissions offsets through the purchase of credits or through emission offsetting projects.

In December 2018, the Government of British Columbia announced an updated clean energy plan, "**CleanBC**", which seeks to ensure that British Columbia achieves 75% of its GHG emissions reduction target by 2030. The CleanBC plan includes a number of strategies targeting the industrial, transportation construction, and waste sectors of the British Columbia economy. Key initiatives include: (i) increasing the generation of electricity from clean and renewable energy sources; (ii) imposing a 15% renewable content requirement in natural gas by 2030; (iii) requiring fuel suppliers to reduce the carbon intensity of diesel and gasoline by 20% by 2030; (iv) investing in the electrification of oil and natural gas production; (v) reducing 45% of methane emissions associated with natural gas production; and (vi) incentivizing the adoption of zero-emissions vehicles.

In January 2019, the BC Commission announced a series of amendments to the British Columbia *Drilling and Production Regulation* that will require facility and well permit holders to, among other things, reduce natural gas leaks and curb monthly natural gas emissions from their equipment and operations. These new rules came into effect on January 1, 2020. In November 2020, the Government of Canada and the Government of British Columbia announced that they had finalized an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in British Columbia.

Indigenous Rights

Constitutionally mandated government-led consultation with and, if applicable, accommodation of, Indigenous groups impacted by regulated industrial activity, as well as proponent-led consultation and accommodation or benefit sharing initiatives, play an increasingly important role in the Western Canadian oil and gas industry. In addition, Canada is a signatory to the *United Nations Declaration of the Rights of Indigenous Peoples* ("**UNDRIP**") and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. For example, in November 2019, the *Declaration on the Rights of Indigenous Peoples Act* ("**DRIPA**") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. In December 2020, the federal government introduced *Bill C-15: An Act respecting the United Nations Declaration on the Rights of Indigenous Peoples Act* ("**Bill C-15**"). Similar to British Columbia's DRIPA, the intention of Bill C-15, if passed, is to establish a process whereby the Government of Canada will take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives.

Continued development of common law precedent regarding existing laws relating to Indigenous consultation and accommodation as well as the adoption of new laws such as DRIPA and Bill C-15 are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines.

Accountability and Transparency

In 2015, the federal government's *Extractive Sector Transparency Measures Act* ("**ESTMA**") came into effect, which imposed mandatory reporting requirements on certain entities engaged in the "commercial development of oil, gas or minerals", including exploration, extraction and holding permits. All companies subject to ESTMA must report payments over CAD\$100,000 made to any level of a Canadian or foreign government (including Indigenous groups), including royalty payments, taxes (other than consumption taxes and personal taxes), fees, production entitlements, bonuses, dividends (other than ordinary dividends paid to shareholders), infrastructure improvement payments and other prescribed categories of payments.

RISK FACTORS

The Company is subject to both risks that directly affect Spartan's business and operations, as well as indirect risks that impact third parties or industry generally. Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with Spartan's business, the business of third parties with whom the Company conducts business and the crude oil and natural gas business generally. If any event arising from the risk factors set forth below occurs, Spartan's business, prospects, financial condition, results of operation or cash flows and in some cases, its reputation, could be materially adversely affected.

Impact of the COVID-19 Pandemic and Risks Related Thereto

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide could have an adverse impact on Spartan's business, including changes to the way Spartan and its counterparties operate, and on Spartan's financial results and condition. The spread of the COVID-19 pandemic, given its severity and scale, continues to adversely affect the Company's business to varying degrees and many of its customers and business partners and also continues to pose risks to the global economy and the petroleum and natural gas industry more broadly. At the onset of the COVID-19 pandemic, governments and regulatory bodies in affected areas imposed a number of measures designed to contain the COVID-19 pandemic, including widespread business closures, social distancing protocols, travel restrictions, quarantines, curfews and restrictions on gatherings and events. While a number of containment measures have been and continue to be gradually eased or lifted across some regions, additional safety precautions and operating protocols aimed at containing the spread of COVID-19 have been and continue to be instituted in line with guidance of public health authorities. In addition, the emergence of a second wave of the COVID-19 pandemic, together with the emergence of a COVID-19 variant strain first identified in the United Kingdom, has led to the imposition of containment measures to varying degrees in many regions within Canada and globally. These containment measures continue to impact global economic activity, including the ability to move towards recovery of the global economy and such measures also contribute to the decreased demand for hydrocarbons, increased market volatility and continued changes to the macroeconomic environment. As the impacts of the COVID-19 pandemic continue to materialize, the prolonged effects of the disruption have had and continue to have adverse impacts on the Company's business strategies and initiatives, resulting in ongoing effects to its financial results, including the increase of counterparty, market and operational risks.

The Company is closely monitoring the potential and realized effects and impacts of the COVID-19 pandemic, which continues to be a rapidly evolving situation. Uncertainty remains as to the full impacts of the COVID-19 pandemic on the global economy, commodity and financial markets, crude oil and natural gas capital investment levels in the Western Canadian Sedimentary Basin and the energy business more broadly. The ultimate impacts will depend on future developments that are highly uncertain and cannot be predicted, including the scope, severity, duration and additional subsequent waves of the COVID-19 pandemic, as well as the effectiveness of actions and measures taken by the various levels of government. Despite recent positive vaccine developments, the ongoing evolution of the development and distribution of effective vaccines also continues to raise uncertainty.

The Company may face challenges, including increased risk of disputes and litigation, as a result of the effects of the COVID-19 pandemic on market and economic conditions and actions government authorities and financial lenders take in response to those conditions. Spartan may also face increased operational and reputational risks, including the potential for escalating counterparty risk. The COVID-19 pandemic has resulted, and may continue to result, in disruptions to some of Spartan's business partners, clients and customers and the way in which Spartan conducts business, including prolonged duration of staff working from home. These factors have impacted, and may continue to impact, Spartan's business operations and continuity of relationships with its business partners and lessees. To date, Spartan has taken proactive measures through its business continuity plans to adapt to the ongoing work from home arrangements, carefully planning the return to the office environment for some of Spartan's employees, and the Company's human resources team has increased its efforts to preserve the well-being of Spartan's employees and its ability to conduct business.

If the COVID-19 pandemic is further prolonged, including the possibility of additional subsequent waves, or further diseases merge that give rise to similar effects, the adverse impact on the economy could deepen and result in further volatility and declines in commodity and financial markets. Moreover, it remains uncertain how the macroeconomic environment will be impacted following the COVID-19 pandemic. Unexpected developments in commodity and financial markets, regulatory environments, industrial activity or consumer behavior and confidence may also have adverse impacts on the Company's business and financial condition, potentially for a substantial period of time.

In virtually all aspects of Spartan's business and strategy, management's view of risks is not static as the Company's business activities expose it to a variety of risks. Consistent with Spartan's risk management framework, the Company actively manages its risks to help protect and enable its business and future prospects. Additionally, Spartan continues to evaluate the impacts that the COVID-19 pandemic has had and continues to have on its business, including the impact on its top and emerging risks, operational and reputational risks as well as credit, market and liquidity and funding risks and environmental, social and governance risks. For further details on Spartan's risks, refer to the detailed risk factors below and throughout this AIF.

Weakness and Volatility in the Petroleum and Natural Gas Industry

Market events and conditions, including global excess crude oil and natural gas supply, actions taken by OPEC+, sanctions against, and civil unrest in, Iran and Venezuela, slowing growth in China and emerging economies, market volatility and disruptions in Asia, weakening global relationships, conflict between the United States and Iran, isolationist and punitive trade policies, increased United States shale production, sovereign debt levels, world health emergencies (including the COVID-19 pandemic) and political upheavals in various countries including growing anti-fossil fuel sentiment, have caused significant weakness and volatility in commodity prices. Through 2020, oil prices deteriorated due to softening global demand caused by the COVID-19 pandemic. In March 2020, OPEC and Russia were unable to reach an agreement to further manage oil production volumes to support global oil prices. Saudi Arabia responded by reducing its pricing and promising to increase production to over 10 million bbl/day. These actions led to the deepest drop in crude oil prices that global markets have seen since 1991. With the rapid spread of COVID-19 and additional oil supply, oil prices and global equity markets deteriorated significantly, and they remain under pressure. The extreme supply/demand imbalance caused a reduction in industry spending in 2020, which is expected to continue into 2021. These events and conditions have caused a significant decrease in the valuation of crude oil and natural gas companies and a decrease in confidence in the petroleum and natural gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. See "*Royalties and Incentives*", "*Regulatory Authorities and Environmental Regulation*" and "*Climate Change Regulation*" in "*Industry Conditions*". In addition, difficulties encountered by midstream proponents to obtain the necessary approvals on a timely basis to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the petroleum and natural gas industry in Western Canada and cross-border with the United States has led to additional downward price pressure on crude oil and natural gas produced in Western Canada. The resulting price differential between Western Canadian Select crude oil, Brent and West Texas Intermediate crude oil has created uncertainty and reduced confidence in the petroleum and natural gas industry in Western Canada (see "*Industry Conditions – Pricing and Marketing in Canada – Transportation Constraints, Pipeline Capacity and Market Access*").

Lower commodity prices may also affect the volume and value of the Company's reserves, especially as certain reserves become uneconomic. In addition, lower commodity prices have reduced, and are anticipated to continue to reduce, the Company's cash flow which could result in a reduced capital expenditure budget. As a result, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year-over-year basis. See "*Risk Factors - Reserve Estimates*". A prolonged period of adverse market conditions may impede the Company's ability to refinance its Credit Facility or arrange alternative financing when the Credit Facility becomes due or if the lending limits under the Credit Facility are reduced upon periodic review. See "*Risk Factors - Credit Facility Arrangements*". Given the current market conditions and the lack of confidence in the Canadian oil and natural gas industry, the Company may have difficulty raising additional funds in the future or if it is able to do so, it may be on unfavourable and highly dilutive terms. If these conditions persist, Spartan's cash flow may not be sufficient to continue to fund operations and to satisfy obligations when due and will require additional equity or debt financing and/or proceeds from asset sales. There can be no assurance that such equity or debt financing will be available on terms that are satisfactory or at all. Similarly, there can be no assurance that the Company will be able to realize any or sufficient proceeds from asset sales to discharge its obligations. See "*Risk Factors - Additional Funding Requirements*".

Commodity Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired, discovered or produced by Spartan is, and will continue to be, affected by numerous factors beyond its control. The Company's ability to market its crude oil and natural gas may depend upon its ability to acquire space on pipelines that deliver oil and natural gas to commercial markets or contract for the delivery of crude oil by rail (see "*Industry Conditions – Pricing and Marketing in Canada*" and "*Risk Factors – Weakness and Volatility in the Petroleum and Natural Gas Industry*"). The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines, railway lines processing and storage facilities; and operational problems affecting such pipelines, railway lines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of crude oil and natural gas and many other aspects of the crude oil and natural gas business.

The prices of crude oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries, conflicts in the Middle East and ongoing credit and liquidity concerns. Prices

for crude oil and natural gas are also subject to the availability of foreign markets and the ability to access such markets. Any material decline in prices or a continued low crude oil and natural gas price environment could result in a reduction of Spartan's anticipated net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes of Spartan's reserves. Spartan might also elect not to produce from certain wells at lower prices. See "*Industry Conditions - Pricing and Marketing in Canada – Transportation Constraints, Pipeline Capacity and Market Access*" and "*Risk Factors - Weakness and Volatility in the Petroleum and Natural Gas Industry*".

Volatile crude oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for crude oil and natural gas producing properties, as buyers, sellers, lessors and lessees have difficulty agreeing on the value or terms of such arrangements. Price volatility also makes it difficult to budget for and project the return on potential acquisitions, divestitures or leasing opportunities. See "*Risk Factors - Weakness and Volatility in the Petroleum and Natural Gas Industry*".

All of these factors could result in a material decrease in Spartan's expected net production revenue and a reduction in its future crude oil and natural gas acquisition, exploration, development and production activities. Any substantial and extended decline in or continued low crude oil and natural gas prices would have an adverse effect on the Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business and financial condition.

In addition, bank borrowings available to Spartan may, in part, be determined by Spartan's borrowing base. A sustained material decline in prices from historical average prices could reduce Spartan's borrowing base, therefore reducing the bank credit available to Spartan which could require that a portion, or all, of Spartan's bank debt be repaid.

Project Risks

The Company manages a variety of small and large projects in the conduct of its business. Project interruptions may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. Spartan's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Company's control, including the following: processing capacity availability; availability and proximity of pipeline capacity; availability of storage capacity; availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing; the Company's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations; effects of inclement weather; availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; regulatory changes; availability and productivity of skilled labour; and regulation of the oil and natural gas industry by various levels of government and governmental agencies.

These factors could result in Spartan being unable to execute projects on time, on budget, or at all and may be unable to effectively market its oil and natural gas products.

Reliance on Operators, Management and Key Personnel

The operations and management of the Company require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Company's business plans which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Spartan's success will be, in part, dependent on the performance of its key managers and consultants. Failure to retain the managers and consultants, or to attract or retain additional key personnel, with the necessary skills and experience could have a materially adverse impact upon Spartan's growth and profitability. Spartan does not carry key person insurance. The contributions of the existing management team to the immediate and near-term operations of the Company are likely to be of central importance. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. In addition, Spartan may not be the operator of certain oil and natural gas properties in which it acquires an interest. To the extent Spartan is not the operator of its oil and natural gas properties, Spartan will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators.

Third-Party Credit Risk and Delays

Spartan is or may be exposed to third-party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production, suppliers and other parties. In the event such entities fail to meet their contractual obligations to Spartan, such failures could have a material adverse effect on Spartan and its adjusted funds flow. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Spartan's ongoing capital program, potentially delaying the program and the result of such program until Spartan finds a suitable alternative partner.

In addition to the usual delays in payments by purchasers of oil and natural gas to Spartan or to the operators, and the delays by operators in remitting payment to Spartan, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale of delivery of products, delays in the connection of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of Spartan in a given period and expose Spartan to additional third-party credit risks. To the extent that any such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's business and financial condition.

Alternatives to, and Changing Demand for, Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for crude oil and natural gas products. Spartan cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a negative effect on Spartan's business, financial condition, results of operations and cash flows.

Variations in Foreign Exchange Rates and Interest Rates

Operating costs incurred by Spartan are generally paid in Canadian dollars. World crude oil and natural gas prices are quoted in U.S. dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which fluctuates over time. Material increases in the value of the Canadian dollar negatively impact Spartan's production revenues. Future Canadian/U.S. exchange rates could accordingly impact the future value of Spartan's reserves as determined by independent reserves evaluators. Although a low value of the Canadian dollar relative to the U.S. dollar may positively impact the price the Company receives for crude oil and natural gas production it could also result in an increase in the price of certain goods used in operations which may have a negative impact on the Company's financial results.

To the extent that Spartan engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which Spartan may contract.

An increase in interest rates could result in a significant increase in the amount Spartan pays to service debt, which could negatively impact the market price of the Common Shares, which negative impact could prove to be material over time.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Spartan depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Spartan may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Spartan's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that Spartan will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are

identified, Spartan may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Spartan.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents and the shutting-in of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect production, which may reduce the Company's revenue.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including but not limited to hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills and other environmental hazards, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including geological and seismic risks, encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a negative effect on future results of operations, liquidity and financial condition, which could prove to be material over time.

As is standard industry practice, Spartan is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount considered consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, Spartan could incur significant costs. See "*Risk Factors – Insurance*".

Gathering and Processing Facilities, Pipeline Systems and Rail

The products Spartan produces must be delivered through gathering, processing and pipeline systems, some of which are not owned by the Company, and in certain circumstances, by rail. The amount of crude oil and natural gas produced and sold from Spartan's assets is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems and railway lines. The lack of firm pipeline capacity, production limits, and limits on availability of capacity in gathering and processing facilities continues to affect the petroleum and natural gas industry and limits the ability to transport produced crude oil and natural gas to market. In addition, the pro-rationing of capacity on inter-provincial pipeline systems continues to affect the ability of crude oil and natural gas companies to export oil and natural gas. Unexpected shutdowns or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect third parties' production and operations which may have a material adverse effect on the Company's business and financial condition.

As a result, producers have considered rail lines as an alternative means of transportation. Federal and various provincial governments have been active in recent years in their support for and opposition to major infrastructure projects in Canada, leading to increased awareness and challenges to interprovincial and international infrastructure projects. On August 28, 2019, with the passing of Bill C-69, the CERA and the IAA came into force and the NEB Act and the CEEA 2012 were repealed. In addition, the IA Agency replaced the CEA Agency. See

"*Industry Conditions - Regulatory Authorities and Environmental Regulation - Federal*". The impact of the new federal regulatory scheme on proponents and the timing for receipt of approvals of major projects is unclear.

A portion of Spartan's production is processed through facilities owned by third parties over which the Company has no control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of third party facility operations could have a materially adverse effect on Spartan's production and ability to deliver the same for sale, which, in turn, would indirectly reduce the Company's revenues. Midstream and pipeline companies may take actions to maximize their return on investment which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Regulatory

Crude oil and natural gas operations (exploration, development, production, pricing, marketing, transportation and infrastructure) are subject to extensive controls and regulations imposed by various levels of government and may be amended from time to time. Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of crude oil and natural gas and infrastructure projects. Amendments to these controls and regulations, including changes to royalty regimes or the calculation of production and mineral taxes, may occur from time to time in response to economic or political conditions. See "*Industry Conditions*". The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Company's costs, or make certain projects on the Company's assets uneconomic, which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Further, the ongoing third-party challenges to regulatory decisions or orders has reduced the efficiency of the regulatory regime as the implementation of the orders can be delayed resulting in uncertainty and interruption to business of the crude oil and natural gas industry. See "*Industry Conditions - Climate Change Regulations*" and "*Industry Conditions - Curtailment*". Recently, the federal government and certain provincial governments have taken steps to initiate protocols and regulations to limit the release of methane from oil and natural gas operations. Such draft regulations and protocols may require additional expenditures or otherwise negatively impact crude oil and natural gas operations and may affect the Company's business and financial condition. See "*Industry Conditions – Climate Change Regulation*". Further, in response to widening pricing differentials, the Government of Alberta implemented production curtailment (see "*Industry Conditions - Curtailment*").

Spartan's operations require regulatory permits, licences, registrations, approvals and authorizations from various governmental authorities at the provincial and federal level. There can be no assurance that Spartan will be able to obtain all necessary permits, licences, registrations, approvals and authorizations to carry out exploration and development at its projects. In addition, certain federal legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada) could negatively affect the Company's business, financial condition and the market value of its Common Shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity. It is not expected that any of these controls or regulations will affect the operations of Spartan in a manner materially different from how they would affect other oil and natural gas companies of similar size. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation – Liability Management Rating Programs*".

Environmental Regulation

All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and municipal laws. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. See "*Industry Conditions – Exports from Canada*", "*Industry Conditions – Regulatory Authorities and Environmental Regulation*" and "*Industry Conditions – Climate Change Regulation*".

Compliance with environmental legislation can require significant expenditures and a breach of such legislation may result in the imposition of fines or other penalties, some of which may be material, as well as the responsibility to remedy environmental problems caused by Spartan's operations. See "*Industry Conditions – Regulatory*".

Authorities and Environmental Regulation". Should Spartan be unable to fully fund the cost of remedying an environmental problem, Spartan might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Spartan to incur costs to remedy such discharge. Although Spartan believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Spartan's financial condition, results of operations or prospects. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*".

Liability Management

Alberta, Saskatchewan and British Columbia have developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder becomes defunct. Changes to the AB LMR Program administered by the AER, or other changes to the requirements of liability management programs may result in significant increases to the security that must be posted by such third parties, or may result in the denial of license or permit transfers, which could impact the availability of capital to be spent by them which could in turn materially adversely affect the Company's business and financial condition. The impact and consequences of the Supreme Court of Canada's decision in Redwater on the AER's rules and policies, lending practices in the crude oil and natural gas industry and on the nature and determination of secured lenders to take enforcement proceedings are expected to evolve as the consequences of the decision are evaluated and considered by regulators, lenders and receivers/trustees. In addition, the AB LMR Program may prevent or interfere with the Company's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and natural gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*" and "*Industry Conditions – Liability Management Rating Programs*".

Royalty Regimes

There can be no assurance that the provincial governments of the western provinces will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Company's projects. An increase in royalties would reduce the Company's earnings and could make future capital investments, or Spartan's operations, less economic. On January 29, 2016, the Government of Alberta adopted a new royalty regime which took effect on January 1, 2017. See "*Industry Conditions – Royalties and Incentives*".

Climate Change

Chronic Climate Change Risks

The Company's exploration and production facilities and other operations and activities emit GHG's and require the Company to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate its effects. The direct or indirect costs of these regulations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Climate change has been linked to long-term shifts in climate patterns, including sustained higher temperatures. As the level of activity in the Canadian petroleum and natural gas industry is influenced by seasonal weather patterns, long-term shifts in climate patterns pose the risk of exacerbating operational delays and other risks posed by seasonal weather patterns. See "*Risk Factors – Seasonality and Extreme Weather Conditions*". In addition, long-term shifts in weather patterns such as water scarcity, increased frequency of storm and fire and prolonged heat waves may, among other things, require the Company to incur greater expenditures (time and capital) to deal with the challenges posed by such changes to its premises, operations, supply chains, transport needs, and employee safety, which may in turn have a material adverse effect on the Company. Specifically, in the event of water

shortages or sourcing issues, the Company may not be able to, or will incur greater costs to, carry out hydraulic fracturing.

Foreign and domestic governments continue to evaluate and implement policy, legislation and regulations focused on restricting emissions commonly referred to as GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. Given the evolving nature of climate change policy and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing operating expenses on the Royalty Properties, and, in the long-term, potentially reducing the demand for crude oil and natural gas and related products, resulting in a decrease in the Company's profitability and a reduction in the value of its assets. See "*Risk Factors – Non-Governmental Organizations and Eco-Terrorism Risks*", and "*Risk Factors – Reputational Risk*".

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels which influenced investors' willingness to invest in the petroleum and natural gas industry. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation. In November 2018, ENvironment JEUnesse, a Quebec advocacy group, applied to the Quebec Superior Court to certify all Quebecois under 35 as a class in a proposed class action lawsuit against the Government of Canada for climate related matters. While the application was denied, the group has stated it plans to appeal. In January 2019, the City of Victoria became the first municipality in Canada to endorse a class action lawsuit against oil and natural gas producers for alleged climate-related harms. The Union of British Columbia Municipalities defeated the City of Victoria's motion to initiate a class action lawsuit to recover costs it claims are related to climate change.

Given the perceived elevated long-term risks associated with regulatory changes or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing, and providing insurance coverage to crude oil and natural gas and related infrastructure businesses and projects. The impact of such efforts may require the Company's management to dedicate significant time and resources to these climate change related concerns, may adversely affect the Company's operations, the demand for and price of the Company's securities and may negatively impact the Company's cost of capital and access to the capital markets, which negative impact could prove to be material over time.

Claims have been made against certain energy companies alleging that GHG emissions from crude oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities or other organizations may make claims against crude oil and natural gas companies, for alleged personal injury, property damage, or other potential liabilities. While the Company is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of securities issued by the Company, impact its operations and have an adverse effect on its financial condition, which could prove to be material.

Given the evolving nature of climate change policy and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing the Company's operating expenses and in the long-term, potentially reducing the demand for crude oil and natural gas production resulting in a decrease in the Company's profitability and a reduction in the value of its assets or requiring impairments for financial statement purposes. See "*Industry Conditions - Climate Change Regulation*", "*Risk Factors – Non-Governmental Organizations and Eco-Terrorism Risks*", "*Risk Factors – Reputational Risk*" and "*Risk Factors – Changing Investor Sentiment*".

Public support for climate change action and receptivity to new technologies has grown in recent years. Governments in Canada and around the world have responded to these shifting societal attitudes by adopting ambitious emissions reduction targets and supporting legislation, including measures relating to carbon pricing, clean energy and fuel standards, and alternative energy incentives and mandates. There has also been increased

activism, including threats of culpability, legal action against oil and gas producers, and public opposition to fossil fuels and the oil and gas industry in which the Company operates. Given the evolving nature of the debate related to climate change and the control of GHGs and resulting requirements, it is not possible to predict the impact on its operations and financial condition. See "*Industry Conditions – Climate Change Regulation*".

Acute Climate Change Risks

Climate change has been linked to extreme weather conditions. Extreme hot and cold weather, heavy snowfall, heavy rainfall and wildfires may restrict or could interfere with the Company's operations, increasing its costs and otherwise negatively impacting its operations. Moreover, extreme weather conditions may lead to disruptions in the Company's ability to transport produced oil and natural gas as well as goods and services in its supply chains. The Company's assets are located in locations that are proximate to forests and rivers and a wildfire or flood, respectively, may lead to significant downtime and/or damage to such assets which may affect production. At this time, the Company is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting the Company's operations.

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under high pressure into rock formations to stimulate the production of crude oil and natural gas. Specifically, hydraulic fracturing enables the production of commercial quantities of oil and natural gas from reservoirs that were previously unproductive. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third party or governmental claims, and could increase the costs of compliance and doing business as well as delay the development of crude oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of crude oil and natural gas that is ultimately produced from the reserves associated with Spartan's assets and, therefore, could materially adversely affect the Company's business, financial condition, results of operations and prospects.

Seismic events are common in certain parts of Alberta, and are generally clustered around the municipalities of Cardston, Fox Creek and Rocky Mountain House. Due to notable seismic activity reported around Fox Creek, the AER introduced seismic monitoring and reporting requirements for hydraulic fracturing operators in the Duvernay formation in the Fox Creek area in February 2015. These requirements include, among others, an assessment of the potential for seismicity prior to conducting operations, the implementation of a response plan to address potential seismic events, and the suspension of operations if a seismic event above a particular threshold occurs. These requirements will remain in effect as long as the AER deems them necessary. Further, the AER continues to monitor seismic activity around the province and may extend these requirements to other areas of the province if necessary.

Volatility of Market Price of Common Shares

The trading price of securities of crude oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices and/or current perceptions of the crude oil and natural gas market. This includes, but is not limited to, changing and in some cases, negative investor sentiment towards energy-related businesses. In recent years, the volatility of crude oil and natural gas commodity prices, and the securities of issuers involved in the crude oil and natural gas business, has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. Similarly, recent market prices in the securities of crude oil and natural gas issuers relative to other industry sectors have led to lower crude oil and natural gas representation in certain key equity market indices. The volatility, trading volume and market price of crude oil and natural gas have been impacted by increasing investment levels in passive funds that track major indices and only purchase securities included in such indices and subsequently dispose of those securities if they are excluded from such indices. In addition, many institutional investors, pension funds and insurance companies, including government sponsored entities, have implemented investment strategies increasing their investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments. These factors have impacted the volatility and liquidity of certain securities and put downward pressure on the market price of those securities. Similarly, the market price of the Common Shares could be subject to

significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Similarly, the market price of the Common Shares may be due to Spartan's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by Spartan or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Notice to Reader – Special Note Regarding Forward-Looking Statements*". In addition, in recent years the market price for securities in the stock markets, including the TSX, experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Credit Facility Arrangements

The amount authorized under the Credit Facility is dependent on the borrowing base determined by the lenders to Spartan under the Credit Facility. The Company is required to comply with covenants under the Credit Facility, which from time to time, either affect the availability, or price, of additional funding and in the event that the Company does not complete therewith, the Company's access to capital could be restricted or repayment could be required. The failure of the Company to comply with such covenants, which may be affected by events beyond the Company's control, could result in the default under the Credit Facility which could result in the Company being required to repay amounts owing thereunder. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing, the lenders to Spartan under the Credit Facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default and cross-acceleration provisions. In addition, the Credit Facility may, from time to time, impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurring of additional indebtedness, provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

The Company's borrowing base is determined and re-determined by the lenders to Spartan under the Credit Facility based on the Company's reserves, commodity prices, applicable discount rate and other factors as determined by the Company's lenders. A material decline in commodity prices could reduce the Company's borrowing base, therefore reducing the funds available to the Company under the Credit Facility which could result in a portion, or all, of the Company's bank indebtedness needing to be repaid.

Borrowing

From time to time, Spartan may acquire assets or the shares of other corporations or otherwise finance its ongoing operations using debt, which may increase Spartan's debt levels above industry standards. Further, a significant decrease in crude oil and natural gas prices, hedging losses or lower than expected production from Spartan's properties may cause the Company's debt-to-cash flow ratio to rise above its peer standards. The level of Spartan's indebtedness or debt-to-cash flow ratio from time to time could impair Spartan's ability to obtain additional financing in the future on a timely basis and could affect the market price of the Common Shares.

Substantial Capital Requirements

Spartan anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- the Company's credit rating (if applicable);
- commodity prices;

- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and Spartan's securities in particular.

Further, if the Company's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The current conditions in the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies to access additional financing. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Spartan may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on its business financial condition, results of operations and prospects.

Additional Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and from time to time, Spartan may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Due to the conditions in the oil and natural gas industry and/or global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies to access additional financing.

As a result of global economic and political volatility, Spartan may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If revenues from the Company's reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Spartan's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely. In addition, the future development of Spartan's properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing could be highly dilutive to existing shareholders. Failure to obtain any financing necessary for Spartan's capital expenditure plans may result in a delay in development or production on the Company's properties.

Changing Investor Sentiment

A number of factors, including the effects of the use of fossil fuels on climate change, the impact of crude oil and gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation and indigenous rights, have affected certain investors' sentiments towards investing in the crude oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors have announced that they no longer are willing to fund or invest in crude oil and natural gas properties or companies tied to crude oil and natural gas or are reducing the amount of their investments of such entities over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can be costly and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the crude oil and natural gas industry, and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares, even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Company's assets which may result in an impairment change.

Evolving Corporate Governance, Sustainability and Reporting Framework

The Company's business is subject to evolving corporate governance and public disclosure regulations that have increased both compliance costs and the risk of noncompliance, which could have an adverse effect on the price of the Company's securities. Spartan is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSX and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity making compliance more difficult and uncertain. Further, the Company's efforts to comply with these and other new and existing rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Reputational Risk

The Company's business, financial condition, operations or prospects may be negatively impacted as a result of any negative public opinion toward Company or as a result of any negative sentiment toward or in respect of Company's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates as well as their opposition to certain crude oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and increased costs and/or cost overruns.

Any environmental damage, loss of life, injury or damage to property caused by Spartan's operations could damage the reputation of the Company in active operational areas. The Company's reputation could be affected by actions and activities of other corporations operating in the crude oil and natural gas industry, over which the Company has no control. If the Company, either directly or indirectly, develops a reputation of having an unsafe work site it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against fossil fuel companies may indirectly harm the Company's reputation. In addition, environmental damage, loss of life, injury or damage to property caused indirectly by the Company's operations could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard Company's reputation. Damage to the Company's reputation could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities.

Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and cash flows to be derived therefrom, including many factors beyond Spartan's control. The information concerning reserves and associated cash flow set forth in this AIF represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as: historical production from the properties; production rates; ultimate reserve recovery; timing and amount of capital expenditures; marketability of oil and natural gas; royalty rates; the assumed effects of regulation by governmental agencies; and future operating costs, all of which may vary from actual results.

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Spartan's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based, in part, on the assumed success of the exploitation activities intended to be undertaken in future years. The reserves

and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material. Many of Spartan's producing wells have a limited production history and thus there is less historical production on which to base the reserves estimates. In addition, a significant portion of Spartan's reserves may be attributable to a limited number of wells and, therefore, a variation in production results or reservoir characteristics in respect of such wells may have a significant impact upon Spartan's reserves.

In accordance with applicable securities laws, McDaniel has used forecast price and cost estimates based on averages from three different independent evaluators' price forecasts in calculating reserves quantities. See "*Statement of Reserves Data and Other Oil and Gas Information – Pricing Assumptions*". Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and cash flows derived therefrom will vary from the estimates contained in the McDaniel Report and such variations could be material. The McDaniel Report is based in part on the assumed success of activities Spartan intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the McDaniel Report will be reduced to the extent that such activities do not achieve the level of success assumed in the McDaniel Report. The McDaniel Report is effective as of December 31, 2020, with a preparation date of March 11, 2021, and, except as may be specifically stated or required by applicable securities laws, has not been updated and, therefore, does not reflect changes in reserves since that date.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that a defect in the chain of title will not arise. The actual interest of the Company in properties may accordingly vary from Spartan's records. If a title defect does exist, it is possible that the Company may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There may be valid challenges to title or legislative changes, which affect the Company's title to the oil and natural gas properties Spartan controls that could impair the Company's activities on them and result in a reduction of the revenue received by Spartan.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Spartan makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Acquisitions of oil and natural gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquirer, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of Spartan. All such assessments involve a measure of geologic, engineering, facility operations, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as Spartan's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of so that Spartan can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of Spartan, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Company.

Hedging

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

Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to U.S. dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Company will not benefit from the fluctuating exchange rate.

Competition

There is strong competition relating to all aspects of the oil and natural gas industry. Spartan will actively compete for capital, skilled personnel, access to rigs and other equipment, access to processing facilities and pipeline and refining capacity and in all other aspects of its operations with a substantial number of other organizations.

The Company competes with other exploration and production companies, any of whom may have more financial resources, staff or political influence than the Company. Spartan's ability to increase its production in the future will depend not only on its ability to develop the Company's properties, but also on its ability to select other suitable assets for further exploration and development.

Political Uncertainty

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. Since the 2016 U.S. presidential election, the American administration has withdrawn the United States from the Trans-Pacific Partnership and the United States Congress has passed sweeping tax reform, which, among other things, significantly reduces U.S. corporate tax rates. This has affected the competitiveness of other jurisdictions, including Canada. On January 6, 2021, rioters invaded the U.S. capitol building and on January 20, 2021, Mr. Joseph Biden was sworn in as the 46th President of the United States. The political unrest associated with the former administration coming to an end and the new Biden administration taking over is unprecedented in the United States, and the short and long-term impacts on business and capital markets are unknown. Additionally, on January 20, 2021, the Biden administration announced its decision to revoke the federal permit granted by the former administration for the Keystone XL Pipeline, which has overturned a comprehensive regulatory process that lasted more than a decade. In addition, NAFTA has been replaced with the USMCA. This has affected the competitiveness of other jurisdictions, including Canada. In addition, NAFTA has been replaced with the USMCA. On January 25, 2021, the Biden administration signed an executive order with respect to stringent new Made-In-America rules for the U.S. government and has indicated that the exceptions to such rules will be very limited. It is unclear what the impact of the new executive order will be and how it may impact the USMCA and the Canada-U.S. supply chain. Further, it is unclear exactly what other actions the U.S. administration will implement, and if implemented, how these actions may impact Canada and in particular the petroleum and natural gas industry. Any actions taken by the current United States administration may have a negative impact on the Canadian economy and on the businesses, financial condition, results of operations, prospects and the valuation of Canadian crude oil and natural gas companies, which could also negatively impact the Company, which negative impact could prove to be material over time.

In addition to the political disruption in the United States, the impact of the United Kingdom's exit from the European Union remains to be determined. Some European countries have also experienced the rise of antiestablishment political parties and public protests held against open-door immigration policies, trade and globalization. Conflict

and political uncertainty also continues to progress in the Middle East. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could increase costs for goods and services required for the Company's business, reduce access to skilled labour and negatively impact the Company's business, financial condition, results of operations, prospects and the market value of its Common Shares, which negative impact could prove to be material over time.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the petroleum and natural gas industry including the balance between economic development and environmental policy. Alberta elected a new government in 2019 that is supportive of the Trans Mountain Pipeline expansion project. In January 2020, the Supreme Court of Canada unanimously rejected the government of British Columbia's proposed regulation of the transport of heavy oil products into and through British Columbia, tensions remain between provincial and federal governments. Continued uncertainty and delays have led to decreased investor confidence, increased capital costs and operational delays for producers and service providers operating in the jurisdictions where Royalty Properties are located.

The federal government was re-elected in 2019, but in a minority position. The ability of the minority federal government to pass legislation will be subject to whether it is able to come to agreement with, and garner the support of, the other elected parties, most of whom are opposed to the development of the petroleum and natural gas industry. The minority federal government will also be required to rely on the support of the other elected parties to remain in power, which provides less stability and may lead to an earlier subsequent federal election. Lack of political consensus, at both the federal and provincial government level, continues to create regulatory uncertainty, the effects of which become apparent on an ongoing basis, particularly with respect to carbon pricing regimes, curtailment of crude oil production and transportation and export capacity, and may affect the business of participants in the petroleum and natural gas industry, which effect could prove to be material over time. See "*Industry Conditions – Climate Change Regulation*", "*Industry Conditions – Pricing and Marketing in Canada – Transportation Constraints, Pipeline Capacity and Market Access – Specific Pipeline and Proposed LNG Export Terminal Updates – Curtailment*", and "*Industry Conditions – The United States Mexico Canada Agreement and Other Trade Agreements*".

Geopolitical Risks

The marketability and price of oil and natural gas that may be acquired or discovered by Spartan is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or parties in power, may have a significant impact on the price of crude oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of Spartan's net production revenue.

Non-Governmental Organizations and Eco-Terrorism Risks

The crude oil and natural gas industry may, at times, be subject to public opposition. Such public opposition could expose Spartan to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, and delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and direct legal challenges, including the possibility of climate-related litigation (see "*Industry Conditions – Transportation Constraints, Pipeline Capacity and Market Access*"). There is no guarantee that the Company will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require significant and unanticipated capital and operating expenditures which may negatively impact the Company's business, financial condition, results of operations and prospects.

In addition, the Company's oil and natural gas properties, wells and facilities could be the subject of a terrorist attack which may have a material adverse effect on its business, financial condition, results of operations and prospects. Spartan does not have insurance to protect against the risk of terrorism.

Disposal of Fluids Used in Operations

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from crude oil and natural gas wells is subject to ongoing regulatory review by federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase the costs of compliance for Spartan which may impact the economics of certain projects and in turn impact activity levels and new capital spending on the Company's properties.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to implement and benefit from technological advantages. There can be no assurance that Spartan will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If Spartan implements such technologies, there is no assurance that the Company will do so successfully. One or more of the technologies currently utilized by Spartan or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If Spartan is unable to utilize the most advanced commercially available technology, or it is unsuccessful in implementing certain technologies, the Company's business, financial condition and results of operations could be materially adversely affected.

Availability and Cost of Equipment, Material and Qualified Personnel

Oil and natural gas exploration, development and operating activities are dependent on the availability and cost of specialized materials and equipment, including drilling and related equipment and qualified personnel in the particular areas where such activities will be conducted. Demand for such limited equipment and qualified personnel may affect the availability of such equipment and qualified personnel to Spartan and may delay Spartan's exploration and development activities. A decline in market conditions has led increasing numbers of skilled personnel to seek employment in other industries. In addition, the costs of qualified personnel and equipment in the areas where Spartan's assets are located are very high due to the availability of, and demands for, such qualified personnel and equipment in such areas.

Management of Growth

Spartan may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Spartan to manage future growth and integration of additional lands, assets and acquisitions effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The inability of Spartan to deal with this integration growth could have a material adverse impact on its business, financial condition, results of operations and prospects.

Expiration of Licences and Leases

Spartan's properties are held in the form of licences and leases and working interests in licences and leases. If the Company or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on Spartan's business, financial condition, results of operations and prospects.

Income Taxes

Spartan files all required income tax returns and believes that it is in full compliance with the provisions of the *Tax Act* and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable. Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that affects

the Company. Furthermore, tax authorities having jurisdiction over Spartan may disagree with how the Company calculates its income for tax purposes or could change administrative practices to the Company's detriment.

Conflicts of Interest

Certain directors and officers of Spartan are also, or may in the future be, directors or officers of other crude oil and natural gas companies, that may compete or be counterparties to agreements with the Company and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA and the Company's policies which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract, or material transaction, or proposed material transaction, with the Company disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. The Company also has additional policies in place which require management to seek approvals of independent directors in certain situations where there may be a perceived or potential conflict of interest arising due to interlocking directorships, despite the transaction being within management's authorization levels and not otherwise requiring Board approval. See "*Directors and Officers – Conflicts of Interest*".

Seasonality and Extreme Weather Conditions

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. A mild winter or wet spring may make the ground unstable, limit access and, as a result, cause reduced operations or a cessation of operations.

Municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment during periods of wet weather, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict access to Spartan's properties and cause operational difficulties including damage to machinery or contribute to personnel injury because of dangerous working conditions. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and also to volatility in commodity prices as the demand for natural gas typically fluctuates during cold winter months and hot summer months.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive.

Indigenous Claims

Indigenous peoples have claimed Indigenous rights and title in portions of Western Canada. Claims and protests of indigenous peoples may disrupt or delay third-party operations or new development on the Company's properties. Spartan is not aware that any claims have been made in respect of Spartan's assets; however, if a claim arose and was successful this could have an adverse effect on Spartan and its operations. In addition, the process of addressing such claims, regardless of the outcome, is expensive and time consuming and could result in delays which could have a negative effect on the Company's business, financial condition, results of operations and prospects, which negative effect could prove to be material over time.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. See "*Industry Conditions – Climate Change Regulation*". In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system currently applies in provinces and territories without their own system that meets federal standards. The federal regime is subject to a number of court challenges. See "*Industry Conditions – Climate Change Regulation*". The taxes placed on carbon emissions may have the effect of decreasing the demand for crude oil and natural gas products and at the same time, increasing the operating expenses of crude oil and natural gas companies, each of which may have a material adverse effect on the Company's revenue.

Further, the imposition of carbon taxes puts the Company at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Insurance

Spartan's involvement in the exploration for and development of oil and natural gas properties may result in Spartan becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although Spartan has obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Spartan may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Spartan. The occurrence of a significant event that Spartan is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Spartan's financial position, results of operations or prospects.

Litigation

In the normal course of Spartan'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, relating to personal injuries, property damage, property taxes, land rights, environmental issues and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to Spartan and as a result, could have a material adverse effect on Spartan's assets, liabilities, business, financial condition and results of operations. Even if Spartan prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Company's business operations, which could adversely affect its financial condition.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of Spartan. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information by the Company, a breach could put Spartan at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable solely in monetary damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Information Technology Systems and Cyber-Security

Spartan has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure, and its ability to expand and continually update this infrastructure, to conduct daily operations. Various information technology systems are relied upon to estimate reserve quantities, process and record financial data, manage the land base, manage financial resources, analyze seismic information, administer contracts and communicate with employees and third-party partners.

The Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of Spartan's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to its business activities or competitive position. In addition, cyber-phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber-phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company's employees are often the targets of such cyber-phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Company's computers.

These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

The Company maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber security risk assessments. The Company also employs encryption protection of its confidential information, all computers and other electronic devices. Despite the Company's efforts to mitigate such phishing attacks through education and training, phishing activities remain a serious problem that may damage Spartan's information technology infrastructure. The Company applies technical and process controls in line with industry-accepted standards to protect its information assets and systems, including written incident response plan for responding to a cyber security incident. However, these controls may not adequately prevent cyber-security breaches.

Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Company's performance and earnings, as well as reputation. Spartan applies technical and process controls in line with industry-accepted standards to protect information assets and systems; however, these controls may not adequately prevent cyber-security breaches. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Social Media

Increasingly, social media is used as a vehicle to carry out cyber-phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Company's systems and obtain confidential information. The Company periodically reviews, supervises, retains and maintains the ability to retrieve social media content. Despite these efforts, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Company may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

Limited Ability of Residents in the U.S. to Enforce Civil Remedies

The Company is a corporation formed under the laws of Alberta, Canada and has its principal place of business in Canada. All of Spartan's directors and officers and the representatives of the experts who provide services to Spartan (such as the Company's auditors and independent reserve engineers), and all of Spartan's assets and all or a substantial portion of the assets of such persons are located outside the U.S. As a result, it may be difficult for investors in the U.S. to effect service of process within the U.S. upon such directors, officers and representatives of experts who are not residents of the U.S. or to enforce against them judgments of the U.S. courts based upon civil liability under the U.S. federal securities laws or the securities laws of any state within the U.S. There is doubt as to the enforceability in Canada against the Company or against any of Spartan's directors, officers or representatives of experts who are not residents of the U.S., in original actions or in actions for enforcement of judgments of U.S. courts of liabilities based solely upon the U.S. federal securities laws or securities laws of any state within the U.S.

Forward-Looking Information May Prove Inaccurate

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

Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "*Notice to Reader – Special Note Regarding Forward-Looking Statements*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings that the Company is or was a party to, or that any of its property is or was a subject of, during the most recently completed financial year that were or are material to the Company, nor are any such legal proceedings known to the Company to be contemplated which could be deemed material to the Company.

To the knowledge of management of the Company, there have not been any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and the Company has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, to the knowledge of the directors and officers of the Company, none of the directors or executive officers of the Company, nor any person or Company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares, nor any of their respective associates or affiliates, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the Company's current year or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company.

Sony Gill, the Corporate Secretary of the Company, is a partner of the national law firm Stikeman Elliott LLP, which law firm rendered legal services to the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Common Shares of the Company is Odyssey Trust Company at its office in Calgary, Alberta.

MATERIAL CONTRACTS

Except as disclosed below and other than contracts entered into in the ordinary course of business, there have been no material contracts entered into by the Company within the most recently completed financial year, or before the most recently completed financial year that are still in effect.

The following are material contracts of the Company required to be filed on SEDAR pursuant to NI 51-102:

- (a) the Pre-Acquisition Agreement between the Company and Inception dated February 16, 2021, as more particularly described in "*General Development of the Business – Recent Developments*", a copy of which is available on SEDAR at www.sedar.com; and
- (b) the Purchase Agreement among the Company, Winslow and Bellatrix dated April 22, 2020, as more particularly described in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2020*", a copy of which is available on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Reserves estimates contained in this AIF were derived from the McDaniel Report prepared by McDaniel & Associates Consultants Ltd., an independent reserves evaluator. In addition, InSite Petroleum Consultants Ltd. ("**InSite**") was the independent engineer with respect to the reserves report included in the Bellatrix BAR (the "**InSite Report**"). As of December 31, 2020, to the knowledge of the Company, the directors, officers, employees and consultants of McDaniel and InSite who participated in the preparation of the McDaniel Report and InSite Report, respectively, who were in a position to directly influence the preparation or outcome of the preparation of the McDaniel Report and InSite Report, respectively, as a group, owned, directly or indirectly, less than 1% of the outstanding Common Shares. In addition, none of the officers, directors, employees or consultants of McDaniel or InSite are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or any of the Company's associates or affiliates.

PricewaterhouseCoopers LLP, are the auditors of the Company and were the auditors of the operating statements included in the Bellatrix BAR, and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta. MNP LLP is the previous auditor of the Company and has confirmed that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

Other than as set out above, no other experts (whose profession or business gives authority to a report, valuation, statement or opinion made by them) were named in any securities disclosure document filed by the Company pursuant to NI 51-102 in the most recently completed financial year.

ADDITIONAL INFORMATION

Additional information regarding Spartan may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of Common Shares and the securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular dated April 27, 2020 relating to the annual meeting of shareholders held on May 22, 2020. Additional financial information is available in the annual audited financial statements of the Company and the related management's discussion and analysis for the financial year ended December 31, 2020.

APPENDIX "A"

**Form 51-101F2
REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the Board of Directors of Spartan Delta Corp. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2020. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2020, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved + probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2020, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue \$M (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
McDaniel	December 31, 2020	Canada	-	1,078,110	-	1,078,110

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTING LTD.

"Originally Signed by Brian R. Hamm, P. Eng."

 President & CEO
 Calgary, Alberta, Canada
 March 11, 2021

APPENDIX "B"

**FORM 51-101F3
Report of management and directors on oil and gas disclosure**

Management of Spartan Delta Corp. (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and natural gas activities in accordance with securities regulatory requirements. This information includes reserves data.

An independent qualified reserves evaluator has evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the board of directors of the Company has

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation and, in the event of a proposal to change the independent qualified reserves evaluator, to inquire whether there had been disputes between the previous independent qualified reserves evaluator and management; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and natural gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and natural gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "*Fotis Kalantzis*"

Fotis Kalantzis, President & CEO

(signed) "*Brendan Paton*"

Brendan Paton, Vice President, Engineering

(signed) "*Reginald Greenslade*"

Reginald Greenslade, Director

(signed) "*Tamara MacDonald*"

Tamara MacDonald, Director

(signed) "*Richard McHardy*"

Richard McHardy, Director

March 31, 2021