SPARTAN DELTA CORP. (FORMERLY, RETURN ENERGY INC.)

MANAGEMENT'S DISCUSSION & ANALYSIS

AS AT AND FOR THE YEARS ENDED

DECEMBER 31, 2020 AND 2019

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended December 31		Year ended December 31	
(CA$ thousands, except as otherwise indicated)	**2020**	2019	**2020**	2019
OPERATING				
Average daily production (BOE/d)				
Crude oil (bbls/d)	**332**	25	**196**	26
Condensate (bbls/d) (1)	**1,131**	-	**656**	-
NGLs (bbls/d) (1)	**6,728**	20	**3,965**	15
Natural gas (mcf/d)	**106,912**	1,070	**63,625**	1,102
BOE/d	**26,010**	223	**15,421**	225
Average realized prices, before financial instruments				
Crude oil ($/bbl)	**47.95**	54.14	**46.03**	61.76
Condensate ($/bbl) (1)	**54.46**	-	**51.39**	-
NGLs ($/bbl) (1)	**18.35**	53.39	**16.74**	54.13
Natural gas ($/mcf)	**2.72**	2.20	**2.42**	1.51
Combined average ($/BOE)	**18.89**	21.33	**17.07**	18.18
Operating and Corporate Netbacks ($/BOE) (2)				
Oil and gas sales, before financial instruments	**18.89**	21.33	**17.07**	18.18
Realized loss on financial instruments	**(0.90)**	-	**(0.17)**	-
Oil and gas sales, after financial instruments	**17.99**	21.33	**16.90**	18.18
Processing and other revenue	**0.66**	1.78	**0.60**	1.66
Royalties	**(2.01)**	(0.15)	**(1.57)**	0.26
Operating expenses	**(5.68)**	(30.91)	**(6.11)**	(24.58)
Transportation expenses	**(1.37)**	-	**(1.36)**	-
Operating Netback (2)	**9.59**	(7.95)	**8.46**	(4.48)
General and administrative expenses	**(1.48)**	(27.19)	**(1.64)**	(17.13)
Interest expense, net of interest income	**(0.19)**	-	**(0.21)**	-
Corporate Netback (2)	**7.92**	(35.14)	**6.61**	(21.61)
FINANCIAL				
Oil and gas sales	**45,206**	437	**96,324**	1,491
Cash provided by (used in) operating activities	**16,064**	(599)	**32,209**	(1,298)
Adjusted Funds from Operations (2)	**18,939**	(723)	**37,308**	(1,772)
$ per share, basic	**0.33**	(0.16)	**0.83**	(0.89)
$ per share, diluted	**0.28**	(0.16)	**0.67**	(0.89)
Net income (loss) and comprehensive income (loss)	**12,358**	(60)	**47,663**	(1,998)
$ per share, basic	**0.21**	(0.01)	**1.06**	(1.00)
$ per share, diluted	**0.18**	(0.01)	**0.86**	(1.00)
Capital expenditures, net of dispositions	**14,346**	29	**125,869**	(231)
Total assets	**331,430**	34,245	**331,430**	34,245
Net Debt (Surplus) (2)	**12,292**	(23,538)	**12,292**	(23,538)
Shareholders' equity	**137,540**	25,640	**137,540**	25,640
Common shares outstanding (000s) (3)				
Weighted average, basic	**58,220**	4,638	**44,848**	1,996
Weighted average, diluted	**68,859**	4,638	**55,403**	1,996
End of period	**58,226**	26,106	**58,226**	26,106

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

(2) "Operating Netback", "Corporate Netback", "Adjusted Funds from Operations" and "Net Debt (Surplus)" do not have standardized meanings under IFRS, refer to "Non-GAAP Measures" section of this MD&A.

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

INTRODUCTION

Spartan Delta Corp. (formerly Return Energy Inc., "Spartan" or the "Company") was incorporated under the *Business Corporations Act* (Alberta) on March 20, 2006. The Company is engaged in exploration, development and production of petroleum and natural gas properties in western Canada. During the year ended December 31, 2020, Spartan's oil and gas operations were conducted through its wholly owned subsidiary, Winslow Resources Inc. ("Winslow"). Effective January 1, 2021, Spartan and Winslow were amalgamated to form a single corporate entity under the name of Spartan Delta Corp. As of the date hereof, the Company does not have any subsidiaries. Common shares of Spartan are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "SDE" (formerly "RTN"). The Company's head office is located at 500, 207 – 9th Avenue S.W., Calgary, Alberta T2P 1K3. The registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

The Company appointed a new management team and new board of directors on December 19, 2019, as part of the Recapitalization Transaction (defined herein) which included a $25.0 million non-brokered private placement at a subscription price of $1.00 per common share.

On March 4, 2020, the shareholders of the Company approved a name change from "Return Energy Inc." to "Spartan Delta Corp." (the "Name Change") and a consolidation of common shares on the basis of a ratio of one-hundred (100) pre-consolidation common shares for each post-consolidation common share (the "Share Consolidation"). The Name Change and Share Consolidation were completed on June 1, 2020. All references to common shares, warrants and stock options in this document have been restated and are reflected on a post-consolidation basis.

On June 1, 2020, Spartan closed a transformational transaction whereby the Company acquired substantially all of the assets of Bellatrix Exploration Ltd. ("Bellatrix" or "BXE") for total consideration of $108.8 million (the "BXE Asset Acquisition"). The transaction positioned Spartan as an intermediate energy company whose growth strategy is focused on the acquisition and sustainable development of underexploited and undercapitalized assets. The assets acquired included approximately 25,000 BOE per day of oil and gas production concentrated in the Deep Basin of west central Alberta, a large land base and working interest ownership in strategic infrastructure (the "BXE Assets"). A gain of $53.0 million was recognized upon closing the acquisition in the second quarter of 2020 as the consideration was less than the estimated fair value of the net assets acquired. For the year ended December 31, 2020, the results of operations from the BXE Assets are included in Spartan's financial results for the 214 day period following closing of the acquisition. Additional information is provided under the heading "BXE Asset Acquisition".

In connection with the BXE Asset Acquisition, the Company raised gross proceeds of $64.0 million through non-brokered equity private placements at a subscription price of $2.00 per common share. Spartan also established a $100.0 million revolving credit facility with a syndicate of financial institutions. The private placements and credit facility provided Spartan with the liquidity and financial flexibility needed to begin executing on the Company's long-term growth strategy during 2020.

Subsequent to December 31, 2020, Spartan announced a series of strategic acquisitions which are expected to further transform the Company in 2021. The acquisitions will add a new Montney oil focused core area in northwest Alberta and compliment the Company's existing core land holdings in west central Alberta, which are principally focused on the development of liquids-rich natural gas and light oil prospects in the Spirit River and Cardium formations. Concurrent with the acquisitions, Spartan will also complete equity financings for aggregate gross proceeds of $124.0 million, comprised of $79.0 million of non-brokered private placements and a $45.0 million bought deal prospectus offering at a subscription price of $4.00 per common share (collectively, the "2021 Financings"). Refer to "Subsequent Events" and "Outlook and Guidance" for additional information.

The following Management's Discussion and Analysis ("MD&A") has been prepared by management as of March 11, 2021, in accordance with the requirements of National Instrument 51-102 – *Continuous Disclosure Requirements* ("NI 51-102"). This MD&A should be read in conjunction with the Company's audited consolidated annual financial statements and related notes for the years ended December 31, 2020 and 2019 (the "2020 Financial Statements"). The information provided in this MD&A is not intended to be a comprehensive review of all matters and developments concerning the Company and is not a substitute for detailed investigation or analysis on any particular issue. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities, including Spartan's most recent Annual Information Form can be found on SEDAR at www.sedar.com and the Company's website at www.spartandeltacorp.com.

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

NON-GAAP MEASURES

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

Funds from Operations and Adjusted Funds from Operations

"Funds from Operations" is calculated as cash provided by (used in) operating activities before changes in non-cash working capital. "Adjusted Funds from Operations" is calculated by adding back transaction costs on acquisitions and settlements of decommissioning obligations to Funds from Operations.

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

	Three months ended December 31		Year ended December 31	
(CA$ thousands, except share amounts)	**2020**	2019	**2020**	2019
Cash provided by (used in) operating activities	**16,064**	(599)	**32,209**	(1,298)
Change in non-cash operating working capital	**2,175**	(191)	**1,385**	(603)
Funds from Operations	**18,239**	(790)	**33,594**	(1,901)
Transaction costs	**7**	-	**2,285**	-
Settlement of decommissioning obligations	**693**	67	**1,429**	129
Adjusted Funds from Operations	**18,939**	(723)	**37,308**	(1,772)
WA common shares outstanding – basic (000s)	**58,220**	4,638	**44,848**	1,996
WA common shares outstanding – diluted (000s)	**68,859**	4,638	**55,403**	1,996
Adjusted Funds from Operations per share				
Basic ($ per common share)	**0.33**	(0.16)	**0.83**	(0.89)
Diluted ($ per common share)	**0.28**	(0.16)	**0.67**	(0.89)

Adjusted Funds from Operations per share is calculated on a consistent basis with net income (loss) per share, using basic and diluted weighted average common shares as determined in accordance with IFRS. Refer to additional information under the heading "Share Capital".

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

Operating Income (Loss), Operating Netback and Corporate Netback

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

The Company refers to Operating Income (Loss) expressed per unit of production as an "Operating Netback". Similarly, Spartan's "Corporate Netback" is equal to Adjusted Funds from Operations expressed per unit of production.

		Three months ended December 31		Year ended December 31	
(CA$ thousands, unless otherwise indicated)		**2020**	2019	**2020**	2019
Oil and gas sales, net of royalties		**40,397**	434	**87,450**	1,513
Processing and other revenue		**1,578**	36	**3,389**	136
Realized loss on derivative financial instruments		**(2,164)**	-	**(958)**	-
Operating expenses		**(13,583)**	(635)	**(34,476)**	(2,016)
Transportation expenses		**(3,288)**	-	**(7,665)**	-
Operating Income (Loss)		**22,940**	(165)	**47,740**	(367)
General and administrative expenses		**(3,551)**	(558)	**(9,235)**	(1,405)
Interest expense, net of interest income		**(450)**	-	**(1,197)**	-
Adjusted Funds from Operations		**18,939**	(723)	**37,308**	(1,772)
Production (BOE)		**2,392,908**	20,522	**5,644,037**	82,015
Operating Netback	($ per BOE)	**9.59**	(7.95)	**8.46**	(4.48)
Corporate Netback	($ per BOE)	**7.92**	(35.14)	**6.61**	(21.61)

Net Debt (Surplus)

Throughout this MD&A, references to "Net Debt" include bank debt, net of Adjusted Working Capital. "Adjusted Working Capital" is calculated as current assets less current liabilities, excluding derivative financial instrument assets and liabilities and lease liabilities. As at December 31, 2020 and 2019, the Adjusted Working Capital deficit (surplus) includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities and the current portion of decommissioning obligations (see also, "Capital Resources and Liquidity"). Spartan uses "Net Debt (Surplus)" as a measure of the Company's financial position and liquidity, however it is not intended to be viewed as an alternative to other measures calculated in accordance with IFRS.

(CA$ thousands)	**December 31, 2020**	December 31, 2019
Bank debt	**-**	-
Adjusted Working Capital deficit (surplus)	**12,292**	(23,538)
Net Debt (Surplus)	**12,292**	(23,538)

Net Debt to Trailing Adjusted Funds Flow

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

"Adjusted Funds Flow" is calculated by deducting settlements of decommissioning obligations and lease payments from "Adjusted Funds from Operations". The Company 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. "Trailing Adjusted Funds Flow" is calculated by annualizing Adjusted Funds Flow for the most recently completed quarter. (See also, "Capital Resources and Liquidity".)

	Three months ended December 31		Year ended December 31	
(CA$ thousands)	**2020**	2019	**2020**	2019
Adjusted Funds from Operations	**18,939**	(723)	**37,308**	(1,772)
Settlement of decommissioning obligations	**(693)**	(67)	**(1,429)**	(129)
Lease payments	**(1,450)**	-	**(3,392)**	-
Adjusted Funds Flow	**16,796**	(790)	**32,487**	(1,901)
Trailing Adjusted Funds Flow	**67,184**			
Net Debt	**12,292**			
Net Debt to Trailing Adjusted Funds Flow	**0.2 x**			

Free Funds Flow

Spartan discloses "Free Funds Flow" as part of its "Outlook and Guidance" in this MD&A. Free Funds Flow is calculated as Adjusted Funds Flow less total net capital expenditures, excluding acquisitions. Spartan believes Free Funds Flow provides an indication to investors and Spartan shareholders of the amount of funds the Company has available for future capital allocation decisions.

OTHER MEASUREMENTS

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

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

GROWTH STRATEGY

The Company is 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. Spartan'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 development of its core properties.

OUTLOOK AND GUIDANCE

The table below outlines Spartan's actual results for the fourth quarter of 2020 compared to financial and operating guidance published in the Company's third quarter 2020 MD&A dated November 4, 2020:

Fourth Quarter of 2020	**Actual**	Guidance	Variance % [1]
Average Production (BOE/d)	**26,010**	24,300 – 25,300	5
% Oil and NGLs	**31%**	30%	1
Forecast Average Commodity Prices			
WTI oil price (US$/bbl)	**42.66**	45.00	(5)
Edmonton condensate ($/bbl)	**55.37**	56.76	(2)
AECO 5A natural gas price ($/GJ)	**2.50**	2.75	(9)
Average exchange rate (CA$/US$)	**1.30**	1.32	(2)
Adjusted Funds Flow ($MM) [1][2][3]	**16.8**	15	10
Capital expenditures, excluding A&D ($MM) [4]	**14.0**	15 – 18	(10)
Free Funds Flow ($MM) [1]	**2.8**	0 – (3)	nm
Net Debt, end of year ($MM) [1]	**12.3**	14.5 – 17.5	(18)
Common shares outstanding, end of year (MM)	**58.2**	58.2	-

(1) For certain key performance measures for which the guidance was provided as a range, the percentage variance is based on the forecasted metric assuming the midpoint of average production of 24,800 BOE/d.
(2) "Adjusted Funds Flow", "Free Funds Flow" and "Net Debt" do not have standardized meanings under IFRS, see "Non-GAAP Measures".
(3) In addition to forecast commodity prices, Spartan's Q4 2020 guidance was based on the following significant assumptions: average royalty rate of 11%; budgeted average operating, transportation, and G&A expenses of $6.00 per BOE, $1.45 per BOE, and $1.50 per BOE, respectively.
(4) Range of guidance driven by drilling and completion of 3 or 4 net wells (100% working interest).

Despite lower than forecast benchmark commodity prices, Spartan delivered financial and operating results that exceeded guidance due to strong operational execution of the Company's winter drilling program and strategic initiatives to optimize production and reduce costs. The Adjusted Funds Flow beat was driven by primarily by lower operating expenses and higher production, including higher than forecast natural gas liquids volumes. Approximately 55% of natural gas production was hedged during the fourth quarter, mitigating the impact of weaker than forecast gas prices on Adjusted Funds Flow. After deducting capital expenditures (excluding acquisitions and proceeds from dispositions) of $14.0 million from Adjusted Funds Flow of $16.8 million, Spartan's Free Funds Flow was $2.8 million for the fourth quarter of 2020. Capital expenditures were less than forecast due to better than expected per well drilling and completion costs and timing of expenditures incurred between the fourth quarter of 2020 and first quarter of 2021.

Annual Guidance for 2021

On February 16, 2021, Spartan announced three strategic acquisitions which are expected to further transform the Company in 2021. The "Acquisitions", which collectively refer to the Inception Acquisition, the Simonette Acquisition, and the Willesden Green Acquisition (all of which are defined and described in detail under the heading "Subsequent Events"), will add a new Montney oil focused core area in northwest Alberta and compliment the Company's existing core operating assets in west central Alberta. The Willesden Green Acquisition closed on March 5, 2021 and Spartan expects to close the Inception Acquisition and Simonette Acquisition on or about March 18, 2021.

As part of the Company's press release dated February 16, 2021, Spartan also announced intentions to complete an $80.0 million equity financing and provided revised corporate guidance for 2021 which reflected the Company's preliminary operating and financial forecast after giving effect to the proposed Acquisitions and financing. The initial equity financing was comprised of a $50.0 million non-brokered private placement and a $30.0 million bought deal prospectus offering. Subsequent to the initial announcement, the equity financings were upsized by 55% to aggregate gross proceeds of $124.0 million, comprised of a $79.0 million Non-Brokered Offering and a $45.0 million Prospectus Offering (both of which are defined and described in detail under the heading "Subsequent Events", and are together referred to as the "2021 Financings"). The 2021 Financings are expected to be completed concurrently with, and are conditional upon, the successful completion of the Inception Acquisition.

Based on the recent rise in crude oil and NGLs prices, additional proceeds from the upsized 2021 Financings, and minor revisions to the expected timing and allocation of budgeted capital expenditures, the Company has further revised its operating and financial guidance for 2021. The revised guidance outlined below was approved by the Company's board of directors on March 11, 2021.

Spartan's 2021 capital expenditures are estimated to be approximately $101.0 million (unchanged from previous guidance). Leveraging Spartan's strategic infrastructure position including the infrastructure to be acquired with the Acquisitions, the capital expenditure program will be focused on the execution and acceleration of drill-ready development across the Company's core properties targeting the Montney, Spirit River, and Cardium formations.

Spartan expects 2021 production to average between 35,500 to 37,500 BOE per day (previous guidance 35,000 to 37,000 BOE per day). The Company's organic development program, supplemented with production from the Acquisitions, is expected to deliver approximately 40% production growth in 2021 compared to average production of 26,010 BOE per day during the fourth quarter of 2020.

The Company expects to generate approximately $139.0 million of Adjusted Funds Flow in 2021 (see "Non-GAAP Measures"), up from previous guidance of $122.0 million. The increase in forecasted Adjusted Funds Flow is primarily driven by the increase in forecast oil prices to US$55.00 per barrel for WTI (previously US$50.00 per barrel) as well as the corresponding impact on NGLs pricing. Spartan's forecast of $2.75 per GJ for AECO natural gas is unchanged. Reallocation of capital within the budget as well as minor changes in expected on-stream dates also contributed to the increase in forecasted Adjusted Funds Flow.

Spartan is now forecasting its Net Surplus to be approximately $115.0 million at the end of 2021 compared to previous guidance of $54.0 million. The increase in forecasted Net Surplus reflects the $17.0 million increase in forecast Adjusted Funds Flow and $44.0 million of additional proceeds from the upsized 2021 Financings. Spartan expects to use its cash surplus to continue executing on the Company's targeted acquisition and consolidation strategy.

The table below outlines Spartan's revised 2021 guidance compared to previous guidance published in the Company's press release dated February 16, 2021:

2021 GUIDANCE	**Revised Guidance**	Previous Guidance	% Change
Average Production (BOE/d) (1)(3)	**35,500 – 37,500**	35,000 – 37,000	1
% Oil and NGLs	**31%**	31%	-
Forecast Average Commodity Prices			
WTI oil price (US$/bbl)	**55.00**	50.00	10
Edmonton condensate ($/bbl)	**67.93**	60.96	11
Conway propane (US$/gal)	**0.71**	0.65	9
AECO 5A natural gas price ($/GJ)	**2.75**	2.75	-
Average exchange rate (CA$/US$)	**1.26**	1.27	(1)
Operating Netback ($/BOE) (1)(2)(3)(4)	**12.74**	11.59	10
Adjusted Funds Flow ($MM) (1)(2)(3)(4)	**139**	122	14
Capital expenditures, excluding A&D ($MM) (5)	**101**	101	-
Free Funds Flow ($MM) (4)	**38**	20	90
Net Debt (Surplus), end of year ($MM) (4)(6)	**(115)**	(54)	113
Common shares outstanding, end of year (MM) (7)	**114**	104	10

Notes:

(1) Production guidance is post completion of the Acquisitions and consists of approximately 4% crude oil, 4% condensate, 23% NGLs and 69% natural gas (product weighting is unchanged from previous guidance). The forecasted financial guidance and percentage change is based on the midpoint of revised production guidance of 36,500 BOE per day (previously 36,000 BOE per day).

(2) In addition to the forecast of benchmark commodity prices outlined above, the Company's guidance includes the following significant assumptions for 2021: royalties are expected to average 11% of oil and gas sales; budgeted operating and transportation expenses are expected to average $6.09 per BOE and $1.53 per BOE, respectively; G&A is budgeted to average $1.35 per BOE; and cash interest expense is budgeted to average $0.07 per BOE (unchanged from previous guidance in all material respects, minor differences in per unit estimates due to higher volumes).

(3) Assumes the Inception Acquisition and Simonette Acquisition close on March 18, 2021.

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

(5) The forecast of capital expenditures excludes acquisitions. The aggregate amount of cash consideration related to acquisitions completed to-date and expected to be completed in 2021 is estimated to be approximately $26.3 million, net of closing adjustments and working capital.

(6) Net Debt (Surplus) does not include the $50.0 million Convertible Note (defined herein) to be issued in connection with the Inception Acquisition. As more particularly described under the heading "Subsequent Events – Inception Acquisition", the Convertible Note will have a term of five years and is convertible to common shares at Spartan's option anytime after two years. The maximum number of Spartan common shares issuable on conversion is 6,518,905 common shares.

(7) The forecast number of common shares outstanding assumes the Acquisitions and 2021 Financings close based on the assumptions outlined in this MD&A, and does not include common shares potentially issuable in respect of dilutive securities (see "Share Capital").

Spartan's guidance is contingent upon the successful completion of the Inception Acquisition, Simonette Acquisition and the 2021 Financings. Details of the foregoing are provided under the heading "Subsequent Events". In addition, changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in the budget. The Company's actual results may differ materially from these estimates. Holding all other assumptions constant for 2021: if the forecast for AECO natural gas increased (decreased) by $0.25/GJ, the Adjusted Funds Flow forecast for 2021 would increase (decrease) by approximately $7.0 million; or, if the WTI crude oil reference price forecast increased (decreased) by US$5.00/bbl, the Adjusted Funds Flow forecast for 2021 would increase (decrease) by approximately $9.0 million. Assuming capital expenditures are unchanged, the impact on Free Funds Flow and resulting Net Debt (Surplus) would be equivalent to the increase or decrease in Adjusted Funds Flow.

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

RESULTS OF OPERATIONS

FOURTH QUARTER AND 2020 ANNUAL HIGHLIGHTS:

- On June 1, 2020, Spartan closed the BXE Asset Acquisition for total consideration of $108.8 million. A gain of $53.0 million was recognized upon closing the acquisition in the second quarter of 2020 as the consideration was less than the estimated fair value of the net assets acquired. For the year ended December 31, 2020, the results of operations from the BXE Assets are included in Spartan's financial results for the 214 day period following closing of the acquisition.
- In connection with the BXE Asset Acquisition, the Company raised gross proceeds of $64.0 million through non-brokered private placements of 32.0 million common shares at a subscription price of $2.00 per common share (the "2020 Private Placement"). Spartan also established a $100.0 million revolving credit facility with a syndicate of financial institutions (the "Credit Facility").
- Production averaged of 26,010 BOE per day (69% gas) for the three months ended December 31, 2020, in line with average production of 26,282 BOE per day in the third quarter of 2020. The Company's full year production averaged 15,421 BOE per day in 2020 compared to 225 BOE per day in 2019.

- Oil and gas sales were $96.3 million for the year ended December 31, 2020, up from $1.5 million in the previous year. Commodity prices improved during the fourth quarter driving a 15% increase in oil and gas sales to $45.2 million for the three months ended December 31, 2020, up from $39.2 million in the third quarter of 2020.
- During the fourth quarter of 2020, Spartan realized a combined average selling price of $18.89 per BOE ($17.99 per BOE after financial instruments), compared to $16.19 per BOE ($16.63 per BOE after financial instruments) in the third quarter of 2020. The increase was driven primarily by stronger AECO gas prices as well as improved NGLs and crude oil pricing.
- Corporate royalty rates averaged 10.6% of oil and gas sales during the three months ended December 31, 2020, and 9.2% on average for the year. The increase in average royalty rate reflects higher commodity prices in the fourth quarter of 2020.
- Operating expenses averaged $5.68 per BOE during the fourth quarter and $6.11 per BOE for the year ended December 31, 2020. Spartan generated meaningful cost savings and reduced its operating expenses each consecutive quarter during 2020, highlighting the successful integration of the acquired assets and impact of the Company's strategic initiatives.
- Transportation expenses of $1.37 per BOE for the three months ended December 31, 2020, are in line with the annual average of $1.36 per BOE.
- Spartan's Operating Netback increased by 15% and averaged $9.59 per BOE for the fourth quarter of 2020, up from $8.32 per BOE in the third quarter of 2020. The improved operating netback reflects the decrease in per unit operating costs in conjunction with stronger realized prices, partly offset by higher royalties. Spartan's 2020 average Operating Netback was $8.46 per BOE compared to an Operating Netback Loss of $4.48 BOE in 2019.
- The Company generated Adjusted Funds from Operations of $18.9 million ($0.28 per share, diluted) for the three months ended December 31, 2020. On a per unit basis, Spartan's Adjusted Funds from Operations resulted in a Corporate Netback of $7.92 per BOE, after G&A and interest expenses of $1.48 per BOE and $0.19 per BOE, respectively. For the year ended December 31, 2020, Adjusted Funds from Operations was $37.3 million ($0.67 per share, diluted) and resulted in a Corporate Netback of $6.61 per BOE in 2020.
- The Company reported net income of $12.4 million ($0.18 per share, diluted) for the fourth quarter and $47.7 million ($0.86 per share, diluted) for the year ended December 31, 2020. By comparison, the Company recognized a net loss of $2.0 million during the previous year. The significant profit reported in 2020 includes other income, net of other expenses, recognized in connection with the BXE Asset Acquisition during the second quarter.
- Spartan hedged a portion of its natural gas volumes for 2020 and 2021 to protect cash flow and mitigate ongoing volatility in commodity markets. Changes in the fair value of these derivative financial contracts had a significant impact on earnings during the third and fourth quarters 2020 due to changes in forecast AECO gas prices. Net income for the fourth quarter includes an unrealized gain of $9.8 million on derivative financial instruments, compared to an unrealized loss of $15.1 million in the third quarter of 2020.
- Total capital expenditures (before acquisitions and dispositions) were $16.8 million during 2020, of which $14.0 million was spent during the fourth quarter as Spartan commenced its winter drilling program. During the three months ended December 31, 2020, the Company drilled 4 (4.0 net) wells in its core area at Ferrier, Alberta. Two wells were completed and brought on production in late December. In addition to drilling and completion costs of $11.6 million, total capital expenditures for 2020 also include $1.3 million spent on seismic and G&G, $2.0 million on wellsite facilities and equipment, $1.5 million on production optimization, and $0.3 million on corporate assets.
- During the fourth quarter of 2020, Spartan fully repaid borrowings under the Credit Facility and had no bank debt outstanding at December 31, 2020. Spartan's Net Debt of $12.3 million is approximately 0.2 times its Trailing Adjusted Funds Flow for the fourth quarter of 2020.
- Spartan exited 2020 well positioned to take advantage of future opportunities and has subsequently announced significant transactions which are expected to be transformational to the Company. Refer to "Subsequent Events".

PRODUCTION

	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Average daily production				
Crude oil (bbls/d)	**332**	25	**196**	26
Condensate (bbls/d)	**1,131**	-	**656**	-
NGLs (bbls/d)	**6,728**	20	**3,965**	15
Natural gas (mcf/d)	**106,912**	1,070	**63,625**	1,102
Combined average (BOE/d)	**26,010**	223	**15,421**	225
% Natural gas	**69%**	80%	**69%**	82%

Production averaged of 26,010 BOE per day for the three months ended December 31, 2020, in line with average production of 26,282 BOE per day in the third quarter of 2020. The Company commenced its drilling program in October and brought the first two wells on production in late December. In addition, Spartan closed an acquisition of working interest production in its core area at Baptiste, Alberta, which added approximately 105 BOE per day for the one-month period from closing of the acquisition on December 1, 2020.

Spartan's full year production averaged 15,421 BOE per day in 2020 compared to 225 BOE per day in 2019. The increase reflects the acquisition of the BXE Assets for the 214 day period from closing of the acquisition on June 1, 2020. The core producing properties acquired are geographically concentrated in the Ferrier, Baptiste, Brazeau, and Willesden Green areas of west central Alberta. At the time of the acquisition, production from the BXE assets was approximately 25,000 BOE per day. The Company completed numerous workovers to optimize well performance during the second half of 2020, which effectively offset the modest decrease in production due to natural declines since June.

REVENUE

Oil and gas sales

	Three months ended December 31		Year ended December 31	
(CA$ thousands)	**2020**	2019	**2020**	2019
Crude oil	**1,465**	123	**3,304**	581
Condensate	**5,666**	-	**12,328**	-
NGLs	**11,359**	98	**24,297**	303
Natural gas	**26,716**	216	**56,395**	607
Oil and gas sales, before royalties	**45,206**	437	**96,324**	1,491

Spartan's oil and gas sales were $96.3 million for the year ended December 31, 2020, up from $1.5 million in the previous year following the transformational asset acquisition completed in June 2020. The COVID-19 pandemic and collapse of global crude oil prices impacted average commodity prices most pervasively in the months of March, April and May of 2020, prior to acquiring the BXE Assets. As a result, Spartan's revenue was less affected as commodity prices began to recover in June. In addition, although crude oil prices were approximately 30% lower on average in 2020 compared to 2019, AECO gas prices were proportionately higher in 2020, particularly in the second half of the year. Spartan benefited from these fundamentals as two-thirds of the Company's production is natural gas.

Oil and gas sales were $45.2 million for the three months ended December 31, 2020, up 15% from $39.1 million during the previous quarter ended September 30, 2020. With average production volumes relatively flat quarter-over-quarter, the increase in sales revenue was driven by stronger AECO gas prices, as well as the recovery of Conway propane prices. Crude oil and condensate prices also began to improve significantly in December. Spartan realized a combined average selling price of $18.89 per BOE ($17.99 per BOE after financial instruments) for the fourth quarter of 2020, compared to an average price of $16.19 per BOE ($16.63 per BOE after financial instruments) during the third quarter 2020.

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

	2020 Average by Quarter				Year ended December 31		
Benchmark commodity prices	Q1	Q2	Q3	**Q4**	**2020**	2019	%
WTI Cushing Oklahoma (US$/bbl) (1)	46.17	27.84	40.93	**42.66**	**39.40**	57.02	(31)
WTI Cushing Oklahoma (CA$/bbl) (2)	61.61	38.41	54.50	**55.53**	**52.51**	75.67	(31)
Canadian Light Sweet 40 API ($/bbl) (1)	52.02	31.45	49.05	**49.17**	**45.42**	68.87	(34)
NYMEX Henry Hub (US$/MMBtu) (1)	1.87	1.76	2.13	**2.76**	**2.13**	2.53	(16)
AECO 5A ($/GJ) (3)	1.93	1.89	2.12	**2.50**	**2.11**	1.67	26
AECO 7A ($/GJ) (4)	2.03	1.81	2.04	**2.62**	**2.12**	1.54	38
Exchange rate (CA$/US$) (1)	1.34	1.39	1.33	**1.30**	**1.34**	1.33	1

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

The following table summarizes the change in Spartan's average realized selling prices during the fourth quarter of 2020 compared to the third quarter 2020, as well as a year-over-year comparison of 2020 compared to 2019:

Average realized prices	Fourth quarter vs Third quarter 2020			Year ended December 31		
(before financial instruments)	**Q4 2020**	Q3 2020	%	**2020**	2019	%
Crude oil ($/bbl)	**47.95**	44.56	8	**46.03**	61.76	(25)
Condensate ($/bbl)	**54.46**	50.13	9	**51.39**	-	-
NGLs ($/bbl)	**18.35**	15.65	17	**16.74**	54.13	(69)
Natural gas ($/mcf)	**2.72**	2.30	18	**2.42**	1.51	60
Combined average ($/BOE)	**18.89**	16.19	17	**17.07**	18.18	(6)

During the fourth quarter and year ended December 31, 2020, natural gas sales represented 59% of the Company's total oil and gas sales revenue and accounted for 69% of production volumes. Spartan's realized gas price increased by 18% during the fourth quarter averaging $2.72 per MCF compared to $2.30 per MCF during the third quarter of 2020. The increase is in line with the 18% increase in the AECO 5A reference price which averaged $2.50 per GJ and $2.12 per GJ, respectively, over the corresponding periods. Natural gas production from the acquired assets has a higher heat content resulting in a premium of the realized price relative to the AECO index. The average AECO 5A reference price of $2.11 per GJ during 2020 was 26% higher than the 2019 average price of $1.67 per GJ, reflecting the improved outlook for domestic gas prices and narrowing of the Canadian basis differential relative to the NYMEX benchmark.

NGLs (excluding condensate) represent 26% of Spartan's total production volumes and contributed proportionately to 25% of total sales revenue during 2020. The Company realized an average NGLs sales price of $18.35 per barrel during the three months ended December 31, 2020, up 17% from $15.65 per barrel in the third quarter of 2020. The increase is driven primarily by the recovery of Conway propane prices and strength of the AECO 7A reference price for ethane during the fourth quarter. The decrease in the average NGLs price in 2020 compared to 2019 is due to lower crude oil reference prices as well as a change in the NGLs product mix related to the BXE Assets. Ethane and propane represent approximately 75% of NGLs (excluding condensate) extracted at the Company's deep cut gas plant. Operation of the deep cut facility delivers a higher total NGLs yield, however, the average NGLs price is lower compared to a product mix more highly weighted to butane and pentane. Spartan has NGLs marketing arrangements in place whereby its ethane sales receive a premium to the AECO 7A gas price, resulting in higher corporate total revenue and operating netbacks compared to shallow cut.

Condensate represented 4% of production volumes but contributed to 13% of total sales revenue during 2020. Spartan realized an average price for its condensate sales of $54.46 per barrel for the three months ended December 31, 2020, up 9% from $50.13 per barrel in the previous quarter ended September 30, 2020. By comparison, the Canadian dollar equivalent WTI crude oil reference price increased by 2% and averaged $55.53 and $54.50 per barrel, respectively, over the corresponding quarters. The improvement in Spartan's realized condensate price outpaced the change in underlying WTI price as demand for condensate increased, narrowing the price differential relative to WTI. In addition, Spartan's new drills were brought on production and benefited from strong pricing in the month of December, in which the condensate blended index price averaged $60.76 per barrel.

Spartan's crude oil production was not significant during 2020 and represented 1% of total volumes and 3% of total oil and gas sales revenue.

Gains and losses on derivative financial instruments

In June 2020, Spartan entered into derivative financial contracts to protect the Company's cash flows from ongoing volatility in commodity prices and to satisfy certain hedging requirements under the Company's Credit Facility. During the period and as at December 31, 2020, Spartan has financial swap contracts in place to fix the price of natural gas to the AECO 7A monthly index price. The average fixed price on the notional volumes hedged over the remaining contract terms is summarized as follows:

- $2.23 per GJ on 60,000 GJs per day until March 31, 2021;
- $2.14 per GJ on 10,000 GJs per day from April 1, 2021 to October 31, 2021; and
- $2.25 per GJ on 35,000 GJs per day from April 1, 2021 to March 31, 2022.

The AECO 7A monthly index price averaged $2.62 per GJ during the three months ended December 31, 2020 resulting in a realized loss of $2.2 million. The loss on fourth quarter settlements offset realized gains from previous quarters and resulted in an aggregate realized loss of $1.0 million on settlements during the seven-month period from June to December 2020. AECO 7A averaged $2.28 per GJ over the corresponding period.

The fair value of these contracts is marked-to-market at the end of each reporting period based on the current forecast for AECO natural gas prices. The estimated fair value of these contracts over the remaining contract term resulted in a derivative financial instrument liability of $3.1 million as of December 31, 2020, down from a liability of $13.0 million as of September 30, 2020. The unrealized gain of $9.8 million during the fourth quarter reflects a softer outlook for AECO compared to the previous quarter, however the outlook for AECO gas prices is generally strong and improved since the hedges were originally implemented in June. (See also, "Commodity Price Risk".)

The table below summarizes the realized and unrealized component of the net loss on derivative financial instruments during the periods:

	Three months ended December 31		Year ended December 31	
(CA$ thousands)	**2020**	2019	**2020**	2019
Realized gain (loss)	**(2,164)**	-	**(958)**	-
Change in unrealized gain (loss)	**9,826**	-	**(3,137)**	-
Gain (loss) on derivative financial instruments	**7,662**	-	**(4,095)**	-
Realized gain (loss) ($ per BOE)	**(0.90)**	-	**(0.17)**	-

Royalties

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 2020	2019	Year ended December 31 2020	2019
Crude oil	**115**	2	**243**	7
Condensate, before GCA	**2,040**	-	**4,232**	-
NGLs, before GCA	**2,688**	20	**5,578**	88
Natural gas, before GCA	**3,090**	18	**6,402**	56
Gas cost allowance (“GCA”)	**(3,124)**	(37)	**(7,581)**	(173)
Total royalties	**4,809**	3	**8,874**	(22)
$ per BOE	**(2.01)**	(0.15)	**(1.57)**	0.26
Average royalty rate (% of sales)	**10.6%**	0.7%	**9.2%**	(1.5%)

For the three months ended December 31, 2020, Spartan’s royalties of $4.8 million resulted in an average royalty rate of 10.6% of oil and gas sales. The average royalty rate increased compared to 8.5% in the third quarter of 2020 primarily due to higher commodity prices. Royalties are reported net of gas cost allowance (“GCA”) credits which do not fluctuate with natural gas or NGLs prices. The Company’s royalties on its legacy assets are nominal and in 2019, total royalties were negative due to GCA recoveries for prior period royalties.

Processing and other revenue

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 2020	2019	Year ended December 31 2020	2019
Processing and other	**1,578**	37	**3,389**	136
$ per BOE	**0.66**	1.78	**0.60**	1.66

Processing and other revenue primarily relates to gas processing and other fees earned on third party volumes processed through the Company’s facilities. The increase in processing income reflects acquisition of the BXE Assets which included a significant infrastructure component, including working interest ownership in three gas plants. The processing income generated from these facilities reduces Spartan’s net cost of operating the facilities.

OPERATING EXPENSES

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 2020	2019	Year ended December 31 2020	2019
Operating expenses	**13,583**	635	**34,476**	2,016
$ per BOE	**5.68**	30.91	**6.11**	24.58

Total operating expenses were $34.5 million ($6.11 per BOE) during the year ended December 31, 2020, compared to $2.0 million ($24.58 per BOE) during the previous year. The decrease in operating expenses on a per unit basis compared to 2019 is a result of the BXE Asset Acquisition and economies of scale achieved through a larger asset base with operations concentrated within central Alberta. In addition, Spartan implemented various operational measures and pursued strategic initiatives with industry partners. As a result of these efforts, the Company generated meaningful cost savings and reduced its operating expenses each consecutive quarter during 2020. Per unit operating expenses averaged $22.57, $6.96, $6.10, and $5.68 per BOE during the first, second, third and fourth quarter of 2020, respectively. The Company continues to focus on production optimization and evaluation of its service providers to identify further potential cost savings going forward.

Operating expenses are net of an estimated recovery of field staff salaries of $0.3 million under the Canada Emergency Wage Subsidy program.

TRANSPORTATION EXPENSES

(CA$ thousands, unless otherwise indicated)	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Transportation expenses	**3,288**	-	**7,665**	-
$ per BOE	**1.37**	-	**1.36**	-

The Company entered into various new marketing and transportation contracts effective upon closing of the BXE Asset Acquisition. Transportation charges incurred up to the point control transfers to the purchaser are recognized as transportation expenses and were approximately $3.3 million for the fourth quarter and $7.7 million for the seven month period from June 1 to December 31, 2020.

GENERAL AND ADMINISTRATIVE EXPENSES (“G&A”)

(CA$ thousands, unless otherwise indicated)	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Salaries and benefits	**3,627**	260	**8,028**	786
Other G&A expenses	**1,336**	280	**3,299**	601
Change in expected credit loss provision	**40**	18	**207**	18
G&A expenses, before recoveries (“Gross G&A”)	**5,003**	558	**11,534**	1,405
Overhead recoveries	**(1,008)**	-	**(1,572)**	-
Canada Emergency Wage Subsidy	**(444)**	-	**(727)**	-
G&A expenses, net of recoveries (“Net G&A”)	**3,551**	558	**9,235**	1,405
G&A expenses ($ per BOE):				
Gross G&A	**2.09**	27.19	**2.04**	17.13
Net G&A	**1.48**	27.19	**1.64**	17.13

The Company incurred G&A expenses, before recoveries, of $11.5 million during the year ended December 31, 2020, of which $5.0 million was incurred during the fourth quarter. The increase in G&A expenses from the comparative periods reflects the Company’s growth following the completion of the BXE Asset Acquisition. Spartan is investing in its staff and information technology resources today, to build a strong foundation to execute on its future growth strategy. The Company is pleased to have hired new employees to its head office team in Calgary, Alberta.

After recoveries, net G&A expenses were $3.6 million ($1.48 per BOE) for the fourth quarter and $9.2 million ($1.64 per BOE) year-to-date. Overhead recoveries increased during the fourth quarter of 2020 in conjunction with higher capital expenditures.

Under the Canada Emergency Wage Subsidy program, Canadian employers affected by COVID-19 are eligible for a wage subsidy for eligible employees, provided that certain criteria are met. During 2020, Spartan applied for and collected a wage subsidy of approximately $1.0 million, of which, $0.7 million related to head office employees is presented as a recovery of G&A expenses and $0.3 million related to field employees is presented as a recovery of operating expenses.

SHARE BASED COMPENSATION

	Three months ended December 31		Year ended December 31	
(CA$ thousands, unless otherwise indicated)	**2020**	2019	**2020**	2019
Share based compensation expense (recovery)	**677**	(236)	**1,578**	(151)
$ per BOE	**0.28**	(11.47)	**0.28**	(1.84)

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The Company granted 3.4 million stock options with an average exercise price of $3.00 per share during 2020. The stock options granted had an average fair value of $1.41 per share estimated on the grant date using the Black-Scholes option pricing model. Share based compensation is recognized over the three-year vesting period using graded amortization resulting in an expense of $0.7 million for the three months ended December 31, 2020, and $1.6 million year-to-date. The majority of stock options were granted on June 1, 2020, upon closing of the BXE Asset Acquisition.

On August 19, 2020, the board of directors approved the implementation of a new share award incentive plan. Details of the foregoing are provided in the 2020 Financial Statements. As of the date hereof, there are no awards granted or outstanding under the new share award incentive plan.

In connection with the Recapitalization Transaction on December 19, 2019, all outstanding stock options were required to be exercised or terminated such that none of the stock options previously granted by Return Energy Inc. would remain outstanding. A total of 69,250 stock options with an average exercise price of $12.42 per share (restated post Share Consolidation) were surrendered and cancelled effective December 19, 2019. Share based compensation expense is reversed for stock options that are unvested at the time of forfeiture, resulting in a recovery of the expense previously recognized.

FINANCING

	Three months ended December 31		Year ended December 31	
(CA$ thousands, unless otherwise indicated)	**2020**	2019	**2020**	2019
Interest and fees on bank debt	**450**	-	**1,291**	-
Financing cost of lease liabilities	**731**	-	**1,720**	-
Accretion of decommissioning obligations	**290**	28	**707**	113
Financing expenses	**1,471**	28	**3,718**	113
Interest income	**-**	-	**(94)**	-
Financing	**1,471**	28	**3,624**	113
Interest expense, net of interest income ($ per BOE)	**0.19**	-	**0.21**	-
Financing ($ per BOE)	**0.62**	1.36	**0.64**	1.38
Average bank debt outstanding during period	**8,177**	-	**9,017**	-

Spartan established a revolving credit facility with a syndicate of financial institutions on June 1, 2020. The Credit Facility, which has an authorized borrowing amount of $100.0 million, was used to partially fund the BXE Asset Acquisition at closing. During the fourth quarter of 2020, Spartan fully repaid borrowings under the Credit Facility and had no bank debt outstanding as at December 31, 2020. Total interest and fees on bank debt of $1.3 million ($0.21 per BOE) expensed during 2020 includes interest on borrowings, standby fees on the undrawn facility, and amortization of the upfront fees incurred to establish the Credit Facility. Additional information regarding the Credit Facility is provided under the heading “Capital Resources and Liquidity”.

Total financing expenses include non-cash charges related to accretion of the Company’s lease liabilities and decommissioning obligations. Spartan recorded lease financing costs of $0.7 million and $1.7 million during the fourth quarter and year ended December 31, 2020, respectively, related to lease liabilities based on incremental borrowing rates between 4% and 6%.

DEPLETION, DEPRECIATION AND IMPAIRMENT (“DD&I”)

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 **2020**	2019	Year ended December 31 **2020**	2019
Depletion and depreciation of PP&E	**9,068**	674	**19,963**	1,443
Depreciation of ROU Assets	**1,799**	-	**4,175**	-
Depletion and depreciation	**10,867**	674	**24,138**	1,443
Impairment of PP&E	**-**	849	**2,998**	849
Total DD&I expense	**10,867**	1,523	**27,136**	2,292
Depletion and depreciation ($ per BOE)	**4.54**	32.86	**4.28**	17.59
Total DD&I expense ($ per BOE)	**4.54**	74.25	**4.81**	27.95

Depletion and depreciation (“D&D”)

The Company reported D&D expense of $24.1 million for the year ended December 31, 2020. The increase in total D&D expense compared to 2019 reflects the significant increase in the carrying amount of property, plant and equipment (“PP&E”) and right-of-use (“ROU”) assets upon completion of the BXE Asset Acquisition. The Company calculates depletion expense on a unit of production basis relative to total proved plus probable reserves. ROU assets and corporate assets are depreciated on a straight-line basis over the useful life. On a per BOE basis, D&D expense has decreased materially from the comparative periods, highlighting the acquisition of reserves at a significantly lower than historical capital cost.

For the three months ended December 31, 2020, D&D expense of $10.9 million ($4.54 per BOE) increased from $9.1 million ($3.76 per BOE) in the third quarter of 2020. The increase in depletion expense during the fourth quarter is primarily due to material increases in proved plus probable reserves and associated future development capital (“FDC”) expenditures as at December 31, 2020, compared to internal estimates prepared for the BXE Assets as of June 1, 2020 for purposes of estimating the fair value of PP&E acquired. As more particularly described under the heading “BXE Asset Acquisition”, FDC expenditures were limited to $35.2 million to reflect the low-end of Spartan’s planned capital expenditures to minimize the gain on acquisition. Upon completion of the Company’s independent reserves evaluation as at December 31, 2020, estimated FDC expenditures of $417.2 million for total proved plus probable reserves of 206.9 million BOE are included in the depletable base for the three months ended December 31, 2020. As at December 31, 2019, total proved plus probable reserves were 3.3 million BOE including $31.8 million of estimated FDC expenditures.

Impairment

The Company has assessed each of its cash generating units (“CGUs”) for indicators of potential impairment as at December 31, 2020 and concluded there are no indicators of impairment (or reversals of previously recognized impairments). Approximately 98% of the total carrying value of PP&E as at December 31, 2020 was included in the BXE Asset Acquisition. The PP&E acquired was measured at fair value on the acquisition date and reflected the weak forecast for commodity prices and challenging business environment at the time of the acquisition.

As at March 31, 2020, the Company recognized an impairment loss of $3.0 million on its Peace River Arch CGU as a result of the significant decrease in forecast commodity prices compared to forecast prices as at December 31, 2019. In particular, the price forecast for Canadian Light Sweet crude oil fell by 67% for the remainder of 2020, by 45% in 2021, and by 25% in years 2022 and thereafter. The AECO-C Spot natural gas price decreased by 30% for the remainder of 2020, by 10% in 2021, and by 16% in years 2022 and thereafter. Additional information regarding the impairment calculation completed as at March 31, 2020 is provided under the heading “Significant Estimates and Judgements”.

OTHER INCOME (EXPENSES)

	Three months ended December 31		Year ended December 31	
(CA$ thousands, unless otherwise indicated)	**2020**	2019	**2020**	2019
Gain (loss) on sale of assets	**212**	(22)	**244**	28
Gain on acquisition	**-**	-	**52,952**	-
Discount rate adjustment on decommissioning obligations acquired	**-**	-	**(13,106)**	-
Transaction costs	**(7)**	-	**(2,285)**	-
Other income [1]	**203**	-	**203**	-
Gain on extinguishment of preferred shares	**-**	2,000	**-**	2,000
Other income, net of other expenses	**408**	1,978	**38,008**	2,028

1) Funding earned through the Alberta provincial government Site Rehabilitation Program ("SRP"). Refer to additional information under the heading "Decommissioning Obligations".

Spartan recognized a gain on acquisition of $53.0 million during the second quarter of 2020. As more particularly described under the heading "BXE Asset Acquisition", the estimated fair value of the net assets acquired exceeded the consideration paid by $53.0 million. The COVID-19 pandemic and collapse of global crude oil prices in March and April 2020 exacerbated the financial challenges facing Bellatrix, which had previously commenced restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) on October 2, 2019. The gain is attributed to the distressed nature of the transaction and Spartan's ability to access capital in a challenging business environment, allowing the Company the opportunity to acquire assets at a historically low valuation.

The impact of the gain on Spartan's net income for the period is partly offset by transaction costs of $2.3 million incurred in connection with the BXE Asset Acquisition and $13.1 million of decommissioning costs that were expensed related to the acquired properties. On the acquisition date, the fair value of decommissioning obligations acquired of $27.2 million was estimated based on a "credit-adjusted risk-free rate" of 6.8%. The obligations acquired were immediately subsequently remeasured in accordance with the Company's accounting policy, whereby decommissioning obligations are discounted using a "risk-free rate". Remeasurement of the decommissioning obligations acquired at a risk-free rate of 1.1% on June 1, 2020, resulted in an increase in the present value of decommissioning obligations acquired by $70.3 million. Of this total, $57.2 million of decommissioning costs was added to the carrying amount of PP&E in the Company's core "Central Alberta" CGU and $13.1 million was expensed during the second quarter of 2020 related to inactive properties included in the non-core "North Minors" and "South Minors" CGUs. The decommissioning costs expensed relate to properties with no significant reserves assigned.

Spartan completed minor dispositions for aggregate cash proceeds of $164 thousand during the year ended December 31, 2020, and recognized a gain on sale of $244 thousand.

Prior to the Recapitalization Transaction on December 19, 2019, Return Energy Inc. had two million of non-interest bearing, non-voting Series I convertible preferred shares ("Preferred Shares") outstanding. The Preferred Shares were repurchased and cancelled by the Company for nominal consideration on December 19, 2019 in connection with the Recapitalization Transaction. A gain of $2.0 million was recorded as a result of extinguishing the Preferred Shares which were classified as a financial liability.

INCOME TAXES

	Three months ended December 31		Year ended December 31	
(CA$ thousands)	**2020**	2019	**2020**	2019
Current income tax	**-**	-	**-**	-
Deferred income tax expense (recovery)	**4,250**	-	**(6,625)**	-
Income tax expense (recovery)	**4,250**	-	**(6,625)**	-

Spartan's combined federal and provincial statutory tax rate averaged 24.0% during the year ended December 31, 2020, compared to the consolidated average of 26.5% in 2019. On October 20, 2020, the provincial government enacted legislation under Alberta's Recovery Plan which accelerated the reduction in the general corporate rate from 10% to 8% effective July 1, 2020. The federal corporate tax rate is unchanged at 15%.

The deferred tax recovery of $6.6 million recognized in 2020 differs from the expected amount of tax expense based on the statutory rate primarily due to the gain on acquisition which is not taxable. In addition, the Company had an unrecognized deferred tax asset of $4.2 million as at December 31, 2019. Following completion of the BXE Asset Acquisition, the Company expects to have sufficient taxable profits in the future to utilize its NCLs. Recognition of the previously unrecognized deferred income tax asset resulted in an increase in the deferred income tax recovery of $4.2 million for the year ended December 31, 2020. Approximately $0.4 million of deferred income taxes were charged directly to equity in respect of share issue costs incurred during the year (2019 – nil).

Spartan was not required to pay income taxes in the current or prior year as the Company had sufficient income tax deductions available to shelter taxable income. As at December 31, 2020, the Company's total tax pools are estimated to be $117.5 million, up from $19.9 million as of December 31, 2019. The increase is primarily due to the addition of $108.8 million of tax pools related to the purchase price for the BXE Asset Acquisition, partly offset by taxable income generated in the year.

The composition of the Company's estimated available tax pools as at December 31, 2020, is summarized below:

(CA$ thousands, unless otherwise indicated)	Deduction Rate (1)	**Amount**	% of Total
Canadian oil and gas property expenses (COGPE)	10%	**77,904**	66%
Canadian development expenses (CDE)	30%	**7,255**	6%
Canadian exploration expenses (CEE)	100%	**1,012**	1%
Undepreciated capital cost (UCC) (2)	25%	**15,815**	14%
Share issue costs (SIC)	5 years	**1,717**	1%
Non-capital losses (NCL) (3)	100%	**13,822**	12%
Total tax pools		**117,525**	100%

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

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

(3) NCLs expire in years 2027 to 2040.

Subsequent to the reporting period, Spartan closed the January 2021 Acquisition (defined herein) and expects to complete other strategic acquisitions which will materially enhance the Company's available tax pools and future tax position. Refer to "Subsequent Events – Anticipated Benefits of the Acquisitions".

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three months ended December 31		Year ended December 31	
(CA$ thousands, unless otherwise indicated)	**2020**	2019	**2020**	2019
Revenue	**41,975**	470	**90,839**	1,649
Expenses	**(33,437)**	(2,508)	**(83,714)**	(5,675)
Income (loss) before other items and taxes	**8,538**	(2,038)	**7,125**	(4,026)
Gain (loss) on derivative financial instruments	**7,662**	-	**(4,095)**	-
Other income, net of other expenses	**408**	1,978	**38,008**	2,028
Income (loss) before income taxes	**16,608**	(60)	**41,038**	(1,998)
Income tax (expense) recovery	**(4,250)**	-	**6,625**	-
Net income (loss) and comprehensive income (loss)	**12,358**	(60)	**47,663**	(1,998)
WA common shares outstanding – basic (000s)	**58,220**	4,638	**44,848**	1,996
WA common shares outstanding – diluted (000s) [(1)]	**68,859**	4,638	**55,403**	1,996
Net income (loss) $ per share – basic	**0.21**	(0.01)	**1.06**	(1.00)
Net income (loss) $ per share – diluted [(1)]	**0.18**	(0.01)	**0.86**	(1.00)

(1) In computing the diluted net loss per share for the fourth quarter and year ended December 31, 2019, the outstanding stock options and warrants were excluded from the diluted weighted average shares outstanding because they were antidilutive.

The Company reported net income of $12.4 million ($0.18 per share, diluted) for the three months ended December 31, 2020. By comparison, Spartan reported a net loss of $7.3 million during the third quarter of 2020. The variance in net earnings is largely due to the change in fair value of derivative financial instruments, driven by volatility of forecast AECO gas prices. The net loss in the third quarter resulted from an unrealized loss on derivative financial instruments of $15.1 million, which was mostly offset by an unrealized gain of $9.8 million in the fourth quarter.

For the year ended December 31, 2020, net income was $47.7 million ($0.86 per share, diluted) compared to a loss of $2.0 million in 2019. The profit reported in 2020 was driven by other income, net of other expenses, of $38.0 million recognized primarily in connection with the BXE Asset Acquisition and a deferred income tax recovery of $6.6 million, partly offset by the loss on derivative financial instruments of $4.1 million. In addition, a $3.0 million impairment of PP&E was recognized on the Company's legacy assets during the first quarter of 2020 due to a material decrease in forecast commodity prices and the COVID-19 pandemic.

CASH PROVIDED BY OPERATING ACTIVITIES AND ADJUSTED FUNDS FROM OPERATIONS

The following tables provide a continuity of income and expenses included in the Company's calculation of Operating Income, Adjusted Funds from Operations, and Funds from Operations generated during the fourth quarter and years ended December 31, 2020 and 2019, respectively, as well as the average Netback ($ per BOE) for each component. Operating Income, Adjusted Funds from Operations, Funds from Operations, and Netbacks are non-GAAP measures used by Spartan as key measures of performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by (used in) operating activities, income or other measures of financial performance calculated in accordance with GAAP/IFRS. The Company refers to Operating Income (Loss) expressed per unit of production as an "Operating Netback". Similarly, Spartan's "Corporate Netback" is equal to Adjusted Funds from Operations expressed per unit of production.

Fourth Quarter vs Third Quarter 2020 (1)	**Q4 2020**		Q3 2020		% change
(CA$ thousands, except per BOE amounts)	**Amount**	**$/BOE**	Amount	$/BOE	Amount
Revenue	**41,975**	**17.54**	37,046	15.32	13%
Realized (loss) gain on derivative financial instruments	**(2,164)**	**(0.90)**	1,070	0.44	-302%
Operating expenses	**(13,583)**	**(5.68)**	(14,741)	(6.10)	-8%
Transportation expenses	**(3,288)**	**(1.37)**	(3,256)	(1.34)	1%
Operating Income / Operating Netback (2)	**22,940**	**9.59**	20,119	8.32	14%
G&A expenses	**(3,551)**	**(1.48)**	(3,626)	(1.50)	-2%
Interest expense	**(450)**	**(0.19)**	(639)	(0.26)	-30%
Adjusted Funds from Operations / Corporate Netback (2)	**18,939**	**7.92**	15,854	6.56	19%
Settlement of decommissioning obligations	**(693)**	**(0.29)**	(46)	(0.02)	nm
Transaction costs	**(7)**	**-**	(34)	(0.01)	-79%
Funds from Operations (2)	**18,239**	**7.63**	15,774	6.53	16%
Change in non-cash working capital	**(2,175)**	**(0.91)**	6,950	2.87	nm
Cash provided by operating activities	**16,064**	**6.72**	22,724	9.40	-29%

(1) Spartan has provided the third quarter of 2020 as the comparative period in this table because cash flows were nominal in the fourth quarter of 2019. Specifically, the Company used $0.6 million of cash in operations during the three months ended December 31, 2019. Management believes the presentation above provides more useful information to the reader. A comparison of full year 2020 versus full year 2019 is provided on the following page.

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

The Company generated Adjusted Funds from Operations of $18.9 million ($0.28 per share, diluted) during the three months ended December 31, 2020, resulting in a Corporate Netback of $7.92 per BOE. After settlements of decommissioning obligations and minor transaction costs, Funds from Operations was $18.2 million for the fourth quarter of 2020.

Spartan's Adjusted Funds from Operations increased by $3.1 million or 19% compared to the previous quarter ended September 30, 2020. The increase was driven by primarily by $1.7 million of incremental revenues after financial instruments and a decrease in operating expenses by $1.2 million, as well as lower interest and G&A expenses. Total cash provided by operating activities of $16.1 million for the three months ended December 31, 2020, decreased compared to $22.7 million in the comparative quarter due to the change in non-cash working capital. The change in non-cash working capital can vary significantly each period based on the timing of processing payments and changes in accounts receivable. As at December 31, 2020, Spartan had $2.7 million of cash on hand.

The table on the following page outlines the Company's cash flows and netbacks for the years ended December 31, 2020 and 2019. The BXE Assets contributed approximately $48.8 million of Operating Income for the 214 day period following closing of the acquisition. Prior to completion of the BXE Asset Acquisition, operating cash flows from the Company's legacy assets was nominal or negative. Adjusted Funds from Operations was $37.3 million ($0.67 per share, diluted) resulting in a Corporate Netback of $6.61 per BOE for 2020. After transaction costs of $2.3 million and $1.4 million of expenditures to settle decommissioning obligations, Funds from Operations was $33.6 million for the year ended December 31, 2020.

Year ended December 31st	**2020**		2019	
(CA$ thousands, except per BOE amounts)	**Amount**	**$/BOE**	Amount	$/BOE
Revenue	**90,839**	**16.10**	1,649	20.10
Realized loss on derivative financial instruments	**(958)**	**(0.17)**	-	-
Operating expenses	**(34,476)**	**(6.11)**	(2,016)	(24.58)
Transportation expenses	**(7,665)**	**(1.36)**	-	-
Operating Income (Loss) / Operating Netback (1)	**47,740**	**8.46**	(367)	(4.48)
G&A expenses	**(9,235)**	**(1.64)**	(1,405)	(17.13)
Interest expense, net of interest income	**(1,197)**	**(0.21)**	-	-
Adjusted Funds from Operations / Corporate Netback (1)	**37,308**	**6.61**	(1,772)	(21.61)
Settlement of decommissioning obligations	**(1,429)**	**(0.25)**	(129)	-
Transaction costs	**(2,285)**	**(0.40)**	-	(1.57)
Funds from Operations (1)	**33,594**	**5.96**	(1,901)	(23.18)
Change in non-cash working capital	**(1,385)**	**(0.26)**	603	7.35
Cash provided by (used in) operating activities	**32,209**	**5.70**	(1,298)	(15.83)

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

CAPITAL EXPENDITURES

Spartan is focused on accretively growing the Company through a targeted acquisition and consolidation strategy. The Company is actively evaluating opportunities to follow up on the success of the BXE Asset Acquisition, which closed on June 1, 2020 for total consideration of $108.8 million. Simultaneously, Spartan continues to focus on expanding its suite of internally generated prospects and optimization of its existing asset base.

	Three months ended December 31		Year ended December 31	
(CA$ thousands)	**2020**	2019	**2020**	2019
Lease acquisition and retention	**54**	-	**87**	-
Geological and geophysical	**97**	-	**1,215**	-
Drilling and completion	**11,324**	-	**11,642**	-
Facilities, pipeline and well equipment	**1,779**	-	**2,011**	5
Production optimization workovers	**610**	-	**1,531**	-
Corporate assets	**139**	29	**334**	29
Capital expenditures, before A&D	**14,003**	29	**16,820**	34
Property acquisitions	**431**	-	**109,213**	-
Property dispositions	**(88)**	-	**(164)**	(265)
Capital expenditures, net	**14,346**	29	**125,869**	(231)

Total capital expenditures (before acquisitions and dispositions) were $16.8 million during 2020, of which $14.0 million was spent during the fourth quarter as Spartan commenced its winter drilling program. During the three months ended December 31, 2020, the Company drilled 4 (4.0 net) wells in its core area at Ferrier, Alberta. Two wells were completed and brought on production in late December. Spartan also completed numerous workovers to optimize well performance at an aggregate cost of $1.5 million during 2020. These workovers effectively helped to offset the modest decrease in production due to natural declines on the acquired assets since June.

On December 1, 2020, Spartan closed an acquisition of producing assets located in its core area at Baptiste, Alberta, for cash consideration of $0.4 million after estimated closing adjustments. The acquired assets added approximately 105 BOE per day of production (60% natural gas) for the month of December.

BXE Asset Acquisition

On April 22, 2020, the Company entered into an asset purchase agreement (the "APA") with Bellatrix Exploration Ltd. to acquire the BXE Assets for a purchase price of $87.4 million plus the assumption of certain liabilities. The acquisition was completed on June 1, 2020 (the "Closing Date") for estimated total consideration of $108.8 million, comprised of $87.5 million of cash and assumed liabilities estimated to be $21.3 million. Approximately $18.4 million of the liabilities were settled by payment to various third parties on and after the Closing Date. The remaining $2.9 million of accrued liabilities outstanding as of December 31, 2020 are expected to be settled over the next 12 months.

The BXE Assets, which are primarily located in the Deep Basin of west central Alberta, are comprised of interests in producing petroleum and natural gas properties alongside an extensive land base, as well as working interest ownership in strategic infrastructure.

Spartan recognized a gain on acquisition as the estimated fair value of the net assets acquired exceeded the consideration paid by $53.0 million. The COVID-19 pandemic and collapse of global crude oil prices in March 2020 exacerbated the financial challenges facing Bellatrix, which had previously commenced restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) on October 2, 2019. The gain is attributed to the distressed nature of the transaction and Spartan's ability to access capital in a challenging business environment, allowing the Company the opportunity to acquire assets at a historically low valuation. The Company incurred approximately $2.3 million of transaction costs related to the acquisition that are recognized as an expense during the year ended December 31, 2020.

The fair value of PP&E acquired was estimated based on fair value less costs of disposal ("FVLCD") methodology, calculated using the present value of the expected future cash flows discounted at 25% after-tax. The projected cash flows used in the FVLCD calculation were derived from a report on Bellatrix's oil and gas reserves which was prepared by an independent qualified reserve evaluator as of December 31, 2019. The cash flow estimates derived from the 2019 reserve report were internally updated by Spartan to reflect the following changes to key assumptions as of the Closing Date of the acquisition:

- the long-term forecast for commodity prices and foreign exchange rates was revised based on an average of the second quarter 2020 forecasts published by four independent qualified reserve evaluators;
- mechanical update of the reserves database to a reference/discount date of June 1, 2020, such that forecast cash flows for 2020 are for the remaining seven-month period ending December 31, 2020;
- FDC expenditures were reduced to $35.2 million to reflect the low-end of Spartan's planned capital expenditures for the acquired assets; and
- the impact of changes in marketing and transportation contracts on realized pricing relative to benchmark prices, as well as the impact of disclaimed contracts on forecasted operating and transportation costs.

The fair value of PP&E, deferred income tax liability and resulting gain on acquisition are sensitive to the discount rate used in the FVLCD calculation. The discount rate used of 25% after-tax is significantly higher than rates typically used to determine the fair value of PP&E acquired in a business combination, however the Company believes the high discount rate is appropriate in this circumstance, given the material uncertainties facing the oil and gas industry and global markets at the time of the acquisition. The table below summarizes the fair value of PP&E calculated at various after-tax discount rates (holding all other assumptions constant), and the resulting impact on the deferred tax liability and gain on acquisition:

(CA$ millions)	**15%**	**20%**	**25%**	**30%**
Property, plant and equipment	307.0	245.4	**203.8**	174.1
Deferred income tax liability	39.5	25.4	**15.8**	9.0
Gain on acquisition	132.4	85.0	**53.0**	30.0

Spartan assumed certain financial commitments from Bellatrix in respect of compression and facility leases with lease terms ending between March 2027 and November 2032. The present value of the lease payments was determined based on an estimated incremental borrowing rate ("IBR") of 6.0%, which resulted in recognition of a lease liability and corresponding ROU asset of $50.6 million on June 1, 2020. A contractual maturity of the undiscounted payments due under all of the Company's lease contracts in place at December 31, 2020 is provided under the heading "Capital Resources and Liquidity".

The Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss) for the year ended December 31, 2020 includes the results of operations for the BXE Assets acquired starting from the Closing Date. Specifically, Spartan's net income for the year ended December 31, 2020, includes $89.3 million of revenue (after royalties) and $48.8 million of Operating Income generated from the BXE Assets for the 214 day period from June 1 to December 31, 2020. If the acquisition had occurred on January 1, 2020, *pro forma* revenue and Operating Income is estimated to be approximately $153.1 million and $83.7 million, respectively, for the year ended December 31, 2020. Given this estimate is based on an extrapolation of June to December results, this *pro forma* information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future. "Operating Income" does not have a standardized meaning under IFRS, see advisories for "Non-GAAP Measures".

DECOMMISSIONING OBLIGATIONS

Spartan is committed to environmental stewardship and seeks to maintain an industry leading Liability Management Rating with a proactive program to address its decommissioning obligations. The Company spent $1.4 million on decommissioning during 2020 and has included $2.8 million of upcoming abandonment and reclamation projects in its estimate of current decommissioning obligations as at December 31, 2020.

As part of Alberta's economic recovery plan, the provincial government implemented the Site Rehabilitation Program ("SRP"), which provides grants to oil field service contractors to perform well, pipeline, and oil and gas site closure and reclamation work. The SRP has up to $1 billion in funding available for eligible abandonment and reclamation projects in Alberta, which will be funded from the federal government's COVID-19 Economic Response Plan. Spartan evaluated its opportunities to utilize the program and earned $0.2 million of SRP funding during the fourth quarter of 2020 and has received approval for an additional $0.6 million of funding for abandonment and reclamation projects budgeted to be completed in 2021. Recoveries under the SRP are recognized in the financial statements in the period work is completed.

In October 2020, Spartan and the O'Chiese First Nation (the "O'Chiese") established a new abandonment and reclamation program (the "ARO Program"). The ARO Program was implemented to demonstrate the Company's commitment to building on its partnership with the O'Chiese and outlines a process for timely abandonment and reclamation of oil and gas operations on O'Chiese lands. While the new ARO program did not result in a change to the underlying cost estimates, the estimated period over which decommissioning is expected to be completed was reviewed for all wells and facilities. Based on this review, the average restoration period decreased compared to previous estimates. As at December 31, 2020, the carrying amount of decommissioning obligations decreased as a result of inflating cost estimates over a shorter period. The change in estimate was recognized during the fourth quarter of 2020 and is reflected in the continuity below.

The undiscounted amount of decommissioning obligations acquired pursuant to the BXE Asset Acquisition is estimated to be approximately $73.7 million ($143.6 million inflated at 2.0%). The fair value of decommissioning obligations acquired of $27.2 million was estimated by discounting the inflated cost estimates using a "credit-adjusted risk-free rate" of 6.8% on the Closing Date. The obligations acquired were immediately subsequently remeasured in accordance with the Company's accounting policy, whereby decommissioning obligations are discounted using a "risk-free rate". Remeasurement of the decommissioning obligations acquired at a risk-free rate of 1.1% on June 1, 2020, resulted in an increase in the present value of decommissioning obligations acquired by $70.3 million, of which, $13.1 million was immediately expensed in respect of inactive properties with nominal reserves assigned.

The following table provides a reconciliation of the change in the carrying amount of the Company's decommissioning liabilities during the fourth quarter and year ended December 31, 2020:

(CA$ thousands)	Three months ended December 31, 2020	Year ended December 31, 2020
Balance, beginning of period	106,267	7,665
Obligations incurred	591	591
Obligations acquired	18	27,207
Discount rate adjustment on obligations acquired	94	70,409
Obligations disposed	(139)	(139)
Obligations settled	(693)	(1,429)
Government grant – SRP	(203)	(203)
Changes in discount rate	(3,177)	(2,174)
Changes in estimates	(4,961)	(4,547)
Accretion	290	707
Balance, end of period	98,087	98,087
Liabilities expected to be settled within one year		**2,833**
Liabilities expected to be settled beyond one year		**95,254**

As at December 31, 2020, the undiscounted amount of the estimated cash flows required to settle the Company's decommissioning obligations is $83.5 million ($128.3 million inflated at 2.0%). The carrying amount of liabilities expected to be settled beyond one year of $95.3 million was determined by discounting the inflated future cost estimates at a risk-free rate of 1.2% as at December 31, 2020 (1.8% as at December 31, 2019). The decrease in risk-free interest rate compared to 2019 was driven by the Bank of Canada's response to the economic uncertainty created by the COVID-19 pandemic and weak commodity prices. The risk-free rate increased from 1.1% as of September 30, 2020, resulting in a decrease of the present value of the Company's decommissioning obligations by $3.2 million during the fourth quarter of 2020.

CAPITAL RESOURCES AND LIQUIDITY

Spartan's capital management objectives are to maintain a flexible capital structure in order to meet its financial obligations, execute on strategic opportunities throughout the business cycle and respond to changes in economic conditions. As at December 31, 2020, the Company's capital structure is comprised of working capital, bank debt and shareholders' equity and its existing capital resources are sufficient to satisfy its financial obligations for the next twelve months.

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Trailing Adjusted Funds Flow" ratio, which is a non-GAAP financial measure calculated as the ratio of the Company's "Net Debt" to "Trailing Adjusted Funds Flow" (definitions and details of the underlying calculation of the annualized Trailing Adjusted Funds Flow are provided under the heading "Non-GAAP Measures").

(CA$ thousands, except as noted)	**December 31, 2020**	December 31, 2019
Cash	**2,686**	24,653
Accounts receivable	**20,475**	229
Prepaid expenses and deposits	**1,529**	48
Accounts payable and accrued liabilities	**(34,149)**	(940)
Current portion of decommissioning obligations	**(2,833)**	(452)
Adjusted Working Capital deficit (surplus)	**12,292**	(23,538)
Bank debt	**-**	-
Net Debt (Surplus)	**12,292**	(23,538)
Trailing Adjusted Funds Flow	**67,184**	(3,160)
Net Debt to Trailing Adjusted Funds Flow	**0.2 x**	n/a

The capital intensive nature of Spartan's operations may create a working capital deficiency during periods with high levels of capital investment. Spartan's working capital deficiency is higher December 31, 2020 compared to December 31, 2019, along with higher production and capital expenditures during the fourth quarter of 2020. The Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. As at December 31, 2020, the Company's Adjusted Working Capital deficit of $12.3 million, represented 12% of the authorized borrowing amount available under the Credit Facility of $100.0 million.

The Company's business plan is dynamic and evolving in response to the current business environment which continues to be volatile and uncertain. Despite the challenges facing the oil and gas industry, Spartan is well positioned to execute on its strategic growth plans. The BXE Asset Acquisition was completed on June 1, 2020 for total consideration of $108.8 million, comprised of $87.5 million of cash and $21.3 million of assumed liabilities. The purchase price was funded by a combination of cash on hand, $62.1 million of net proceeds from the 2020 Private Placement, supplemented by short-term borrowings under the Credit Facility. Spartan generated cash provided by operating activities of $32.2 million during 2020 which was used to fund net capital expenditures, excluding acquisitions of $16.7 million, lease payments of $3.4 million, and the residual to fully repay outstanding bank debt of $9.4 million during the fourth quarter. As at December 31, 2020, Spartan had $2.7 million of cash on hand and no bank debt outstanding.

Spartan's exploration and development capital expenditure program for 2021 (see "Outlook and Guidance") is expected to be funded primarily by cash provided by operating activities, supplemented by short-term borrowings under the Credit Facility depending on timing of cash flows. Future acquisitions, which are part of Spartan's growth strategy, are expected to be funded through a combination of cash provided by operating activities and bank debt, and may be supplemented by new equity or debt offerings. Refer to "Subsequent Events" for details regarding new financing arrangements in respect of acquisitions announced subsequent to the reporting period.

The table below provides a contractual maturity of the Company's financial liabilities and undiscounted lease liabilities as at December 31, 2020:

(CA$ thousands)	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	34,149	-	-	34,149
Derivative financial instruments	2,063	1,074	-	3,137
Standby fees on Credit Facility (1)	875	365	-	1,240
Undiscounted lease liabilities (2)	9,569	45,559	4,964	60,092
Total	46,656	46,998	4,964	98,618

(1) As at December 31, 2020, the Company has no bank debt outstanding on its Credit Facility with an authorized borrowing amount of $100.0 million. Standby fees were estimated at 0.875% of the undrawn borrowing base for the period from January 1, 2021 to the term maturity date of May 31, 2022.

(2) As at December 31, 2020, the present value of the Company's total lease liability is $49.8 million, of which approximately $6.9 million is expected to be settled in the next twelve months.

CREDIT FACILITY

On June 1, 2020, the Company established a revolving committed term credit facility with a syndicate of lenders comprised of National Bank of Canada, ATB Financial and Canadian Western Bank (together, the "Lenders"). The Credit Facility has an authorized borrowing amount of $100.0 million and is available for a revolving period of 364 days maturing on May 31, 2021, and may be extended annually at the Company's option and subject to approval of the Lenders, with a 365 day term-out period if not renewed.

An initial advance of $20.0 million on the Credit Facility was used to partly fund the BXE Asset Acquisition on the Closing Date. The amount drawn was subsequently repaid in full and Spartan exited the year with no bank debt outstanding as at December 31, 2020. The Company has issued $2.8 million of standby letters of credit which are undrawn.

The Credit Facility will be subject to semi-annual borrowing base reviews, occurring on or before May 31 and November 30 of each year. In the event that the lenders reduce the borrowing base below the amount drawn at the time of the redetermination, the Company would have 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined borrowing base or by providing additional security or other consideration satisfactory to the Lenders. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

There are no financial covenants under the Credit Facility and Spartan is in compliance with all other covenants. Covenants include industry standard positive and negative covenants including reporting requirements, permitted indebtedness, permitted dispositions (to a maximum in each calendar year which are in the aggregate not more than 5% of the borrowing base then in effect), permitted risk management activities (as more particularly described under the heading "Market Risks"), permitted encumbrances and other standard business operating covenants. Security is provided for by a first fixed and floating charge debenture over all assets in the amount of $250.0 million and general assignment of book debts.

The Company is currently in discussions with the Lenders regarding the 2021 Financings and Acquisitions (see "Subsequent Events"). Spartan expects to receive all required consents and approvals from the Lenders and does not anticipate any material changes to the Credit Facility as a result of the proposed transactions.

SHARE CAPITAL

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

Concurrent with closing of the BXE Asset Acquisition on June 1, 2020, the Company completed the Share Consolidation on the basis of a ratio of one-hundred (100) pre-consolidation common shares for each post-consolidation common share. All references to common shares, subscription receipts, warrants and stock options in this MD&A are on a post-consolidation basis.

The Company's common shares trade on the TSXV under the symbol "SDE" (formerly "RTN"). The volume weighted average trading price of the Company's common shares on the TSXV for the fourth quarter and year ended December 31, 2020 was $2.95 and $2.91, respectively. The closing price on December 31, 2020 was $2.98 per share.

The table below summarizes the weighted average ("WA") number of common shares outstanding (000s) for the fourth quarter and year ended December 31, 2020 and 2019:

	Three months ended December 31		Year ended December 31	
(000s)	**2020**	2019	**2020**	2019
WA common shares outstanding, basic	**58,220**	4,638	**44,848**	1,996
Dilutive effect of outstanding stock options	**-**	-	**-**	-
Dilutive effect of outstanding warrants	**10,639**	-	**10,555**	-
WA common shares outstanding, diluted	**68,859**	4,638	**55,403**	1,996

The Company uses the treasury stock method to determine the impact of dilutive securities. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per share. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period. In computing diluted net income per share and Adjusted Funds from Operations per share for the fourth quarter and year ended December 31, 2020, the effect of stock options was excluded because they were not in-the-money based on the volume weighted average trading price of the Company's common shares during the periods. During the previous year ended December 31, 2019, the outstanding warrants were antidilutive to the net loss per share.

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

Number of securities outstanding (000s)	December 31, 2019	**December 31, 2020**	**March 11, 2021 (1)**
Common shares (1)	26,106	**58,226**	**60,228**
Warrants (2)	16,204	**16,084**	**16,084**
Stock options (3)	-	**3,400**	**3,400**
Share awards (4)	-	**-**	**-**
Total securities outstanding (5)	42,310	**77,710**	**79,712**

(1) Refer to "Subsequent Events" for information regarding transactions completed subsequent to December 31, 2020 and expected to be completed subsequent to March 11, 2021, which will materially increase the number of common shares outstanding.

(2) The common share purchase warrants have an exercise price of $1.00 per share and are fully vested. If the remaining warrants are exercised by the holders, the warrants will provide aggregate cash proceeds of $16.1 million to the Company. Additional information regarding the terms of the warrants is provided under the heading "Recapitalization Transaction".

(3) As at December 31, 2020, the Company has 3.4 million stock options outstanding with an average exercise price of $3.00 per share.

(4) On August 19, 2020, the Board of Directors approved the implementation of a share award incentive plan. There are no share awards granted or outstanding.

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

Recapitalization Transaction

On December 19, 2019, the Company completed the Recapitalization Transaction pursuant to a definitive reorganization and investment agreement which provided for: (a) a non-brokered private placement for gross proceeds of $25.0 million; and (b) the appointment of a new management team and new board of directors of Spartan. 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 ($24.7 million after issue costs). Each Recap Unit was comprised of one common share and one common share purchase 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. The Recap Warrants became fully vested in June 2020 as a result of the Company’s share price exceeding 200% of the Exercise Price. If exercised by the holders, the Recap Warrants will provide aggregate cash proceeds of $16.2 million to the Company. As of December 31, 2020, a total of 120,000 warrants had been exercised providing cash proceeds of $0.1 million.

As part of the Recapitalization Transaction, an aggregate of: (i) 2,000,000 Preferred Shares, being all of the issued and outstanding Preferred Shares (the “Preferred Shares”); (ii) 666,666 common share purchase warrants of the Company (the “Legacy Warrants”), being all of the issued and outstanding Legacy Warrants; and (iii) 69,250 stock options, being all of the granted and outstanding stock options, were cancelled for nominal consideration effective December 19, 2019.

COMMITMENTS AND CONTINGENCIES

Spartan has firm transportation commitments on natural gas pipelines in Alberta until October 2026. The Company’s transportation commitments as of December 31, 2020 are summarized in the table below:

(CA$ thousands)	Less than 1 year	1 to 5 years	More than 5 years	Total
Firm transportation	5,279	4,147	-	9,426

Except as noted above, there are no other off-balance sheet commitments as at December 31, 2020.

Litigation

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

RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

As at and throughout the year ended December 31, 2020, Spartan had one wholly-owned subsidiary, Winslow Resources Inc. Balances and transactions between Spartan and Winslow have been eliminated on consolidation. Effective January 1, 2021, Spartan and Winslow were subsequently amalgamated to form a single corporate entity under the name of Spartan Delta Corp. The Company does not have any subsidiaries as of the date hereof.

b) Related party transactions

During 2020, the Company incurred approximately $2.1 million of legal fees to a law firm where the corporate secretary of the Company is a partner (2019 – $0.2 million). The fees are primarily transaction costs related to the BXE Asset Acquisition and share issue costs incurred in respect of the 2020 Private Placement. Approximately $0.1 million are included in the balance of accounts payable and accrued liabilities as at December 31, 2020.

c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of a company. The Company defines its key management personnel as its officers, board of directors and corporate secretary.

The following table summarizes compensation paid or payable to key management personnel during the years ended December 31, 2020 and 2019.

	Year ended December 31	
(CA$ thousands)	**2020**	2019
Salaries and benefits	**3,081**	786
Directors fees	**75**	37
Share based compensation (1)(2)	**983**	(146)
Total key management compensation	**4,139**	677

(1) During the year ended December 31, 2020, key management personnel were granted 1,935,700 stock options with an exercise price of $3.00 per share.

(2) All stock options were forfeited on December 19, 2019 in connection with the Recapitalization Transaction. The recovery of $146,200 in 2019 relates to share based compensation expense previously recognized for stock options that were unvested.

All amounts reported in the table above for the year ended December 31, 2019, were paid to the former officers and directors of Return. The new management team and new board appointed on December 19, 2019 upon closing of the Recapitalization Transaction did not receive remuneration in 2019.

SUBSEQUENT EVENTS

Subsequent to December 31, 2020, Spartan has announced a series of strategic acquisitions which are expected to further transform the Company in 2021. The acquisitions will add a new Montney oil focused core area in northwest Alberta and compliment the Company's existing core land holdings in west central Alberta, which are principally focused on the development of liquids-rich natural gas and light oil prospects in the Spirit River and Cardium formations. The Company will also complete equity financings for aggregate gross proceeds of $124.0 million, comprised of $79.0 million of non-brokered private placements and a $45.0 million bought deal prospectus offering. Additional information regarding the acquisitions and financings are provided below. Revised operating and financial guidance for 2021 is provided under the heading "Outlook and Guidance" of this MD&A.

January 2021 Acquisition

On January 14, 2021, the Company acquired of all of the issued and outstanding shares of two private companies (the "January 2021 Acquisition"). Pursuant to the share purchase agreement dated January 5, 2021, the aggregate purchase price included $0.3 million of cash and the issuance of 2,002,585 common shares at a deemed issue price of $3.096 per share. The closing price of Spartan's common shares on the TSXV was $3.95 on the January 14, 2021 closing date of the acquisition.

The acquired entities were immediately amalgamated with the Company on the closing date under the name of Spartan Delta Corp. The assets acquired primarily include land and non-producing petroleum and natural gas properties in Spartan's new core development area in the Alberta Montney and tax pools.

Willesden Green Acquisition

On March 5, 2021, Spartan closed an acquisition producing petroleum and natural gas assets located at Willesden Green, Alberta, for gross cash consideration of $6.025 million before closing adjustments (the "Willesden Green Acquisition"). The assets acquired are contiguous with Spartan's existing core operating assets in west-central Alberta and include a combination of royalty and working interest production, as well as interests in associated infrastructure.

The Willesden Green Acquisition had an effective date of November 1, 2020. Closing adjustments to the purchase price will be finalized within 180 days of the closing date and are estimated to be approximately $0.6 million. Spartan funded the net purchase price with cash on hand.

Simonette Acquisition

On February 16, 2021, Spartan entered into an agreement with an arms-length vendor to purchase petroleum and natural gas properties for a gross purchase price of $22.9 million, comprised of the issuance of 1,493,180 common shares of Spartan and $17.2 million of cash, before closing adjustments (the "Simonette Acquisition"). The number of common shares to be issued in consideration for the Simonette Acquisition is based on a deemed issuance price of approximately $3.83 per common share, determined using the volume weighted average trading price of Spartan's common shares for the 20 trading days immediately preceding February 16, 2021, being the date of the definitive purchase and sale agreement.

The Simonette Acquisition has an effective date of January 1, 2021, and is expected to close on or about March 18, 2021, subject to customary closing conditions and regulatory approvals, including the approval of the TSXV and the Commissioner of Competition pursuant to the *Competition Act* (Canada). Closing adjustments to the cash portion of the purchase price are estimated to be approximately $4.2 million.

The assets are primarily located in the Simonette area of northwest Alberta and include a significant infrastructure component, notably, a 50% working interest in a 120 MMcf/d natural gas processing facility at Simonette. The acquisition also includes interests in producing assets located at Noel in northeastern British Columbia, as well as interests other minor properties.

Inception Acquisition

On February 16, 2021, Spartan entered into a pre-acquisition agreement with Inception Exploration Ltd. ("Inception") pursuant to which the Company agreed to acquire all of the issued and outstanding common shares of Inception (the "Inception Shares") 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" or the "Inception Acquisition Agreement"). 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.

Holders of more than 90% of the issued and outstanding Inception Shares have executed irrevocable acceptances and have agreed to tender their Inception Shares. Assuming 100% of Inception Shares are tendered, the Company will issue 23,734,384 common shares of Spartan 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 Spartan's common shares for the 20 trading days immediately preceding February 16, 2021. In addition, Spartan will issue 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 will mature five years from the closing of the Inception Acquisition, and will be 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 Spartan 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.

Closing of the Inception Acquisition is expected to occur on or about March 18, 2021, subject to customary closing conditions and regulatory approvals, including the approval of Spartan shareholders, TSXV and the Commissioner of Competition pursuant to the *Competition Act* (Canada).

In connection with the completion of the Inception Acquisition, the Company will enter into a nomination rights agreement providing the Inception Shareholder with the right to nominate one or two directors to Spartan's board of directors, subject to acquiring and maintaining certain minimum shareholding requirements. The Company expects Steve Lowden and Elliot S. Weissbluth, current directors of Inception, to be appointed to Spartan's board of directors concurrent with closing of the acquisition.

The Inception Acquisition and the Simonette Acquisition are not conditional upon the completion of one another and the closing of such transactions are not contingent upon a single common event. Completion of the Inception Acquisition is an escrow release condition of the Prospectus Offering and a condition of closing the Non-Brokered Offering. The Prospectus Offering and Non-Brokered Offering are hereinafter defined under the heading "The 2021 Financings".

A copy of the Inception Acquisition Agreement has been filed on SEDAR and may be viewed under the Company's SEDAR profile at www.sedar.com.

Anticipated Benefits of the Acquisitions

Throughout the discussion below, references to the "Acquisitions" collectively refers to the Inception Acquisition, the Simonette Acquisition, and the Willesden Green Acquisition.

Based on field estimates, the combined assets of the Acquisitions are currently producing approximately 9,500 BOE per day (22% oil, 13% NGLs, 65% gas). Significant growth opportunities have been identified and the Acquisitions are expected to supplement Spartan's existing position in the Montney fairway which was acquired through the January 2021 Acquisition, providing multiple years of development inventory and adding to its Montney growth strategy. The Acquisitions will also provide additional Spirit River and Cardium development opportunities synergistic with Spartan's current operations. The Company plans to apply principles consistent with its current operations to improve efficiencies, reduce operating costs and enhance margins of the assets to be acquired. The production profile characteristics of the Acquisitions compliment Spartan's current suite of assets in the Alberta Montney and west central Alberta, increasing oil-weighted production and drilling inventory and providing further commodity diversification.

The assets to be acquired also include strategic processing facilities and infrastructure with limited additional capital required to increase production volumes, including 100% working interests in a 10 Mbbl/d operated central oil battery and a 40 MMcf/d operated natural gas processing facility in Gold Creek, a 50% working interest in a 120 MMcf/d natural gas processing plant in Simonette, water disposal facilities, and an extensive network of field gathering infrastructure and roads, which are expected to support current volumes, third party volumes and anticipated future growth.

The Company's future tax horizon has improved materially as a result of the January 2021 Acquisition and the proposed Acquisitions. Subject to the successful closing of the Inception Acquisition and Simonette Acquisition, the Company's *pro forma* total available tax pools are estimated to be approximately $0.6 billion (~60% non-capital losses).

See also, "Risk Factors" and advisories regarding "Forward-Looking Statements".

The 2021 Financings

Prospectus Offering

On March 8, 2021, the Company completed a bought deal public offering for gross proceeds of $45.0 million. The offering was led by a syndicate of underwriters by way of a short-form prospectus, pursuant to which the Company issued 11,250,000 subscription receipts of Spartan at a price of $4.00 per subscription receipt (the "Prospectus Offering"). Net proceeds of the Prospectus Offering are estimated to be approximately $42.7 million after underwriting commissions and other expenses.

The gross proceeds of the Prospectus Offering will be held in escrow pending the completion of the Inception Acquisition and the Non-Brokered Offering (as defined below). If the Inception Acquisition and Non-Brokered Offering are completed on or before May 31, 2021, the net proceeds from the sale of the subscription receipts will be released from escrow to Spartan and each subscription receipt will automatically be exchanged for one common share for no additional consideration and without any action on the part of the holder. Otherwise, the purchase price for the subscription receipts will be returned pro rata to subscribers, together with a pro rata portion of interest earned on the escrowed funds.

A copy of the short form prospectus dated March 3, 2021 has been filed on SEDAR and may be viewed under the Company's SEDAR profile at www.sedar.com.

Non-Brokered Offering

In addition to the Prospectus Offering, the Company has entered into subscription agreements with certain institutional investors to purchase, on a non-brokered private placement basis: (i) an aggregate of 6,250,000 common shares at a price of $4.00 per share for aggregate gross proceeds of $25.0 million (the "Common Share Non-Brokered Offering"); and (ii) an aggregate of 10,976,626 flow-through common shares at a price of $4.92 per flow-through common share for aggregate gross proceeds of approximately $54.0 million (the "Flow-Through Share Non-Brokered Offering" and, together with the Common Share Non-Brokered Offering, the "Non-Brokered Offering"). The proceeds of the Flow-Through Share Non-Brokered Offering will be used to incur and renounce Canadian development expenses pursuant to the *Income Tax Act* (Canada) and the proceeds from the Common Share Non-Brokered Offering will be used for general working capital purposes. Estimated finders fees and other expenses related to the Non-Brokered Offering are estimated to be approximately $2.3 million.

The Non-Brokered Offering is conditional upon the completion of the Inception Acquisition and other customary conditions, including the approval of the TSXV. Spartan expects to close the Non-Brokered Offering concurrently with the Inception Acquisition on or about March 18, 2021.

SUMMARY OF QUARTERLY INFORMATION

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

(CA$ thousands, except as noted)	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	**41,975**	37,046	11,401	417	470	293	357	529
Net income (loss) and comprehensive income (loss)	**12,358**	(7,281)	47,406	(4,820)	(60)	(691)	(820)	(427)
$ per share, basic	**0.21**	(0.13)	1.29	(0.18)	(0.01)	(0.62)	(0.74)	(0.39)
$ per share, diluted	**0.18**	(0.13)	1.01	(0.18)	(0.01)	(0.62)	(0.74)	(0.39)
Funds from Operations [1]	**18,239**	15,774	1,088	(1,507)	(790)	(396)	(549)	(166)
Capital expenditures, net of dispositions	**14,346**	1,178	109,969	376	29	1	1	(262)
Total assets	**331,430**	331,730	339,064	30,938	34,245	11,227	11,628	11,990
Working capital deficit (surplus)	**21,208**	19,577	2,170	(21,719)	(23,538)	(29)	(426)	(925)
Long-term liabilities	**147,992**	166,457	189,206	7,542	7,213	9,292	9,123	8,876
Shareholders' equity	**137,540**	124,413	130,995	20,818	25,640	1,190	1,853	2,644
Average daily production (BOE/d)	**26,010**	26,282	8,906	251	223	215	237	224
% Oil and NGLs	**31%**	31%	30%	17%	20%	17%	16%	21%
Average realized price ($ per BOE)	**18.89**	16.19	14.31	16.34	21.33	12.94	13.74	24.90
Operating Netback ($ per BOE) [1]	**9.59**	8.32	5.90	(4.33)	(7.95)	(8.80)	(7.40)	6.47

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

Generally, the Company's historical results have been negatively impacted by relatively weak commodity prices. Notably, by low natural gas prices during the second and third quarters of 2019 and then by the collapse of global crude oil prices in March of 2020. Commodity prices subsequently began to recover and natural prices in particular were significantly stronger during the second half of 2020. The outlook for crude oil prices began to improve late in the fourth quarter of 2020. On December 19, 2019, the Company completed the $25.0 million Recap Private Placement as part of the Recapitalization Transaction and appointed the New Management Team and New Board. Prior thereto, the former leadership of Return Energy Inc. had suspended its capital expenditure program and was divesting of non-core assets in connection with a strategic alternatives process. The net loss reported for the first quarter of 2020 was primarily due to an impairment loss of $3.0 million, triggered by the material decrease in commodity prices and COVID-19 pandemic (see "Results of Operations – Depletion, Depreciation and Impairment"). The significant increase in the net income for the second quarter of 2020 is primarily due to the gain on acquisition of $53.0 million offset by the discount rate adjustment on decommissioning obligations of $13.1 million and transaction costs of $2.3 million related to the BXE Asset Acquisition. The BXE Asset Acquisition, which was transformational for Spartan, also significantly increased average production and liquids weighting, revenues, Funds from Operations, total capital expenditures, total assets, long-term liabilities, and total shareholders' equity. The net loss for the third quarter of 2020 resulted from an unrealized loss of $15.1 million on derivative financial instruments, which was subsequently partly offset by an unrealized gain of $9.8 million in the fourth quarter of 2020. Following completion of the BXE Asset Acquisition, Spartan's Operating Netback has improved in each consecutive quarter as a result of lower operating expenses in conjunction with recovering commodity prices.

SELECTED ANNUAL INFORMATION

The following table summarizes key annual financial and operating information over the three most recently completed financial years.

(CA$ thousands, except as noted)	**2020**	2019	2018
Revenue	**90,839**	1,649	2,034
Net income (loss) and comprehensive income (loss)	**47,663**	(1,998)	(3,156)
$ per share, basic	**1.06**	(1.00)	(3.00)
$ per share, diluted	**0.86**	(1.00)	(3.00)
Funds from Operations [(1)]	**33,594**	(1,901)	(2,032)
Capital expenditures, net of dispositions	**125,869**	(231)	2,675
Total assets	**331,430**	34,245	12,275
Working capital deficit (surplus)	**21,208**	(23,538)	(815)
Long-term liabilities	**147,992**	7,213	8,743
Shareholders' equity	**137,540**	25,640	3,044
Average daily production (BOE/d)	**15,421**	225	248
% Oil and NGLs	**31%**	18%	20%
Average realized price ($ per BOE)	**17.07**	18.18	19.98
Operating Netback ($ per BOE) [(1)]	**8.46**	(4.48)	0.01

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

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are described in note 3 of the 2020 Financial Statements.

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

SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

Impact of COVID-19

The outbreak of the novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization on March 11, 2020. Global financial markets experienced significant volatility and weakness as a consequence of the pandemic and governments worldwide enacted emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, temporary business closures, self-imposed quarantine periods, social distancing and restrictions on public gatherings, have caused material disruption to businesses globally resulting in an economic slowdown. Crude oil prices declined dramatically in 2020 due to the actual and anticipated impacts of COVID-19 on global commerce and energy demand, as well as disagreements between major oil producing nations of Saudi Arabia and Russia with respect to production quotas. Second and third waves of the outbreak are underway in several countries including Canada and new restrictions are being imposed as COVID-19 case counts rise. The duration and full extent of the impact of COVID-19 is uncertain as information surrounding the pandemic continues to evolve. New variants of the virus have emerged overseas and recently into Canada adding to this uncertainty.

The decrease in oil prices adversely affected the Company's realized selling prices for crude oil, condensate and natural gas liquids. The impact on revenue and cash flow was most pervasive in the months of March, April and May 2020. In addition, the decrease in forecast commodity prices resulted in an impairment loss of $3.0 million on PP&E as at March 31, 2020, as is described further below. COVID-19 has also indirectly impacted the risk-free rate used to determine the present value of decommissioning obligations and the Company's provision of expected credit losses ("ECL"), however the change in ECL provision was not material.

The Canadian federal and provincial governments have implemented various measures to assist individuals and businesses through the COVID-19 pandemic. During 2020, Spartan received government assistance under the Canada Emergency Wage Subsidy ("CEWS") program and under the Alberta Site Rehabilitation Program ("SRP"). Additional information regarding the CEWS and SRP are provided under the headings of "General and Administrative Expenses" and "Decommissioning Obligations" in this MD&A.

The challenging business environment presented by COVID-19 and the rapid decline of global oil prices has also created certain opportunities for well capitalized companies, such as Spartan, to acquire assets at historically low valuations. This opportunity is highlighted by the BXE Asset Acquisition completed by Spartan on June 1, 2020, which resulted in a gain on acquisition of $53.0 million based on the difference between the total consideration of $108.8 million compared to the estimated fair value of the net assets acquired.

Business Combinations

The assumptions used by management to estimate the fair value of the assets acquired and liabilities assumed pursuant to the BXE Asset Acquisition had a material impact on the resulting gain recognized on the acquisition. Details regarding the specific judgements and estimates applied and a sensitivity analysis are provided under the heading "BXE Asset Acquisition" in this MD&A and are described more generally below.

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value is estimated based on information available at the date of acquisition and requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and property, plant and equipment acquired generally require the most judgement and include estimates of reserves acquired, production costs, forecast benchmark commodity prices, foreign exchange rates, and discount rates. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill (or gain on acquisition resulting from a bargain purchase) in the acquisition equation. Future net income (loss) will be affected as the fair value on initial recognition impacts future depletion and depreciation expenses, as well as the risk of potential impairment in future periods.

Crude oil and natural gas reserves

The process of determining reserves is complex. Significant judgements are based on available geological, geophysical, engineering, and economic data. These judgements are based on estimates and assumptions that 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 reserve estimates are based on production forecasts, future prices and the timing and amount of future expenditures. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation can be impacted by subjective decisions, new geological or production information and a changing environment. In addition, revisions to reserve estimates can arise from changes in forecast oil and gas prices and reservoir performance. Such revisions can be either positive or negative.

Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion. Reserves are used in measuring the FVLCD of PP&E for impairment calculations. Reserves also impact the Company's assessment of the commercial viability and technical feasibility of an exploration project and the decision to transfer exploration and evaluation assets to PP&E.

Spartan's reserves have been evaluated by independent qualified reserves evaluators.as at December 31, 2020 and December 31, 2019 in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH").

Depletion of oil and gas assets

The Company calculates a depletion factor based on total production as a percentage of proved plus probable reserves. The depletion factor is applied to the total depletable base determined as the net book value of the assets and the total estimated FDC expenditures for each depletion unit. Estimates for reserves and FDCs can have a significant impact on net earnings, as they are key components in the depletion calculation. Upon completion of the Company's independent reserves evaluation as at December 31, 2020, estimated FDC expenditures of $417.2 million for total proved plus probable reserves are included in the depletable base for the three months ended December 31, 2020, up from $67.0 million of estimated FDCs as of September 30, 2020. The change in estimated reserves and FDCs resulted in an increase of depletion expenses by $1.8 million during the fourth quarter of 2020 compared to the previous quarter.

Impairment of PP&E

Management applies judgement in assessing indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a CGU or of an individual asset is determined as its fair value less costs of disposal. The key estimates in management's determination of recoverable amounts includes future commodity prices, expected production volumes, quantity of reserves and resources, future development and operating costs, discount rates, and income taxes. The disclosure below outlines details of the estimates and assumptions applied in the impairment analysis completed as of March 31, 2020, which resulted in the recognition of an impairment loss of $3.0 million during the first quarter of 2020.

At March 31, 2020, an indication of potential impairment was identified as a result of the significant decrease in forecast commodity prices compared to forecast prices as at December 31, 2019. In particular, the price forecast for Canadian Light Sweet crude oil fell by 67% for the remainder of 2020, by 45% in 2021, and by 25% in years 2022 and thereafter. The AECO-C Spot natural gas price decreased by 30% for the remainder of 2020, by 10% in 2021, and by 16% in years 2022 and thereafter.

The recoverable amount of the Peace River Arch CGU was estimated as at March 31, 2020 based on FVLCD methodology, calculated using the present value of the CGUs' expected future cash flows discounted at 15% before-tax. The projected cash flows used in the FVLCD calculation were derived from a report on the Company's oil and gas reserves which was prepared by Sproule Associates Limited ("Sproule"), an independent qualified reserve evaluator, as of December 31, 2019 (the "2019 Sproule Report"). The projected cash flows derived from the 2019 Sproule Report have been updated internally by management to reflect the following changes to key assumptions as at March 31, 2020:

- The long-term forecast for commodity prices and foreign exchange rates was updated based on the escalated price forecast published by Sproule as at March 31, 2020 (refer to **Table 1** below).
- The reserves database was mechanically updated to a reference/discount date of April 1, 2020, such that forecast cash flows for 2020 are for the remaining nine-month period ending December 31, 2020.
- FDC expenditures of $21.8 million for the Peace River Arch CGU which were originally planned to be incurred in years 2020 and 2021 have been deferred by two years and are now expected to be incurred in years 2022 and 2023.

Based on the FVLCD calculation at March 31, 2020, the Company recorded an impairment of $3.0 million on the Peace River Arch CGU. The impairment represents the shortfall of the recoverable amount calculated based on the assumptions described above, relative to the carrying amount of the Peace River Arch CGU of $9.2 million before impairment. The recoverable amount estimated pursuant to the FVLCD calculation is sensitive to the discount rate and forecast commodity prices. Holding all other assumptions in the calculation constant:

- if the discount rate increased (decreased) by 1%, the impairment of the Peace River Arch CGU would increase (decrease) by approximately $0.3 million; and
- if the forecast combined average realized price decreased (increased) by 5%, the impairment of the Peace River Arch CGU would increase (decrease) by approximately $1.7 million.

The forecast future commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs) used in the impairment evaluations as at March 31, 2020, reflect the benchmark prices set-forth in **Table 1** below, adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

Table 1 – Selected Benchmark Price Forecasts

As at March 31, 2020	2020	2021	2022	2023	2024(1)
WTI Cushing Oklahoma (US$/bbl)	25.00	37.00	48.00	48.96	49.94
Canadian Light Sweet 40 API ($/bbl)	24.29	43.15	58.67	59.84	61.04
NYMEX Henry Hub (US$/MMBtu)	2.00	2.50	2.75	2.81	2.86
AECO-C Spot ($/MMBtu)	1.43	2.05	2.33	2.41	2.48
Exchange rate (CA$/US$)	1.4286	1.3699	1.3333	1.3333	1.3333

(1) Prices escalate at 2.0% thereafter

Decommissioning obligations

Spartan estimates abandonment and reclamation costs based on a combination of publicly available industry information and internal site-specific information. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, market conditions, discovery and analysis of site conditions and emergence of new restoration techniques. The expected timing of abandonment and reclamation is also subject to change and the impacts inflated future cost estimates and the estimated carrying amount (present value) of decommissioning obligations. Spartan completed a fulsome review of its decommissioning cost estimates by area and the estimated period over which decommissioning is expected to be completed. Based on this review, the carrying amount of decommissioning obligations decreased as at December 31, 2020, primarily as a result of inflating cost estimates over a shorter period as the average restoration period decreased compared to previous estimates. Details of the foregoing and a discussion of other key assumptions are provided under the heading of "Decommissioning Obligations" in this MD&A.

Fair value of financial instruments

The estimated fair value of derivative financial instruments is reliant upon several factors and may include forward curves for commodity prices, foreign exchange rates, or other variables depending on the nature of the underlying contract. A change in any one of these variables could materially impact the valuation of the instrument on the balance sheet date. Furthermore, as these instruments are "marked-to-market" at the end of each reporting period, unrealized gain or losses can result in volatility of net income or loss.

Changes in the fair value of Spartan's derivative financial contracts had a significant impact on the Company's earnings during the third and fourth quarters 2020 due to the change in forecast AECO gas prices. Net income for the fourth quarter of 2020 includes an unrealized gain of $9.8 million on derivative financial instruments, compared to an unrealized loss of $15.1 million in the third quarter of 2020. A sensitivity of the potential change in fair value of Spartan's outstanding derivative financial instruments as at December 31, 2020 is provided under the heading of "Commodity Price Risk" in this MD&A.

Deferred income taxes

Tax interpretations, regulations and legislation in the jurisdictions in which the Company operates are subject to change. Consequently, deferred income taxes are subject to measurement uncertainty. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods. Deferred tax assets may only be recognized to the extent that it is probable that future taxable profits will be available against which unused tax losses and deductible temporary differences can be utilized. At December 31, 2019, the Company had an unrecognized deferred tax asset of $4.2 million. Following completion of the BXE Asset Acquisition, the Company expects to have sufficient taxable profits in the future to utilize its NCLs. Recognition of the previously unrecognized deferred income tax asset resulted in an increase in the deferred income tax recovery of $4.2 million for the year ended December 31, 2020.

RISKS AND UNCERTAINTIES

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

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 our business, including changes to the way we and our counterparties operate, and on our financial results and condition. The spread of the COVID-19 pandemic, given its severity and scale, continues to adversely affect our business to varying degrees and many of our 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 our business strategies and initiatives, resulting in ongoing effects to our financial results, including the increase of counterparty, market and operational risks.

Spartan 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 our business partners, clients and customers and the way in which we conduct our business, including prolonged duration of staff working from home. These factors have impacted, and may continue to impact, our business operations and continuity of relationships with our business partners and lessees. To date, Spartan has taken proactive measures through our business continuity plans to adapt to the ongoing work from home arrangements, carefully planning the return to the office environment for some of our employees, and our health and safety team has increased its efforts to preserve the well-being of our employees and our 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 our business and strategy, our view of risks is not static as our business activities expose us to a variety of risks. Consistent with our risk management framework, we actively manage our risks to help protect and enable our business and future prospects. Additionally, we continue to evaluate the impacts that the COVID-19 pandemic has had and continues to have on our business, including the impact on our top and emerging risks, operational and reputational risks as well as credit, market and liquidity and funding risks and environmental, social and governance risks.

General Industry Risks

Spartan’s operations are concentrated in the Western Canadian Sedimentary Basin where activity is highly competitive. The Company is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include, but are not limited to, finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, stock market volatility, financial and liquidity risks, and environmental and safety risks.

In order to reduce exploration risk, Spartan employs or contracts highly qualified and motivated professionals who have demonstrated the ability to generate quality proprietary geological and geophysical prospects. Spartan has retained an independent engineering consulting firm that assists the Company in evaluating recoverable amounts of oil and gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and government regulations. Such estimates may vary from actual results.

The Company mitigates its risk related to producing hydrocarbons through the utilization of current technology and information systems. In addition, Spartan strives to operate the majority of its prospects, thereby maintaining operational control. When the Company does not operate, it relies on its partners in jointly owned properties to maintain operational control.

Market Risks

The COVID-19 pandemic has resulted in significant economic uncertainty. Global financial markets, and commodity prices in particular, have consequently experienced significant weakness and volatility. Notwithstanding current uncertainties, Spartan remains committed to responding to market fundamentals and is carefully monitoring emerging developments. The Company is well positioned to confront these challenges and to take advantage of the opportunities presented by the current business environment.

Spartan’s risk management objective is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns. The Company uses derivative financial instruments to manage market risks and has certain minimum hedging requirements under its Credit Facility, which are described further below. All such transactions are conducted in accordance with the Company's established risk management policies that permit management to enter into derivative financial contracts, provided that:

- i) the contracts are not entered into for speculative purposes;
- ii) the aggregate quantity hedged, at the time of entering into the contract, does not exceed 75% of future forecasted average daily production; and
- iii) the contracted term does not exceed 36 months.

On the initial implementation the Company's Credit Facility on June 1, 2020, Spartan was required to have commodity swap contracts in place for natural gas prices. Specifically, the Company was required to hedge a minimum of 60% of forecast natural gas production volumes for the period from June 1, 2020 to March 31, 2021, and a minimum of 40% of forecast natural gas production volumes for the period from April 1, 2021 to March 31, 2022. Spartan is in compliance with this requirement and a summary of the derivative financial contracts in place as of December 31, 2020 is provided under the heading "Commodity Price Risk" below. The minimum hedging requirements were a one-time obligation and Spartan is no longer required to hedge under the Credit Facility.

Commodity Price Risk

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

Further to the discussion above, Spartan has natural gas price risk management contracts in place to protect cash flows and project economics. During 2020, more than two-thirds of the Company's production was natural gas. The following financial derivative contracts were outstanding as at December 31, 2020:

Contract Type	Remaining Term	Notional Volume (GJ/d)	Fixed Price (CA$/GJ)	Reference Price	Fair value Asset (Liability)
Natural gas fixed	Jan 1, 2021 to Mar 31, 2021	60,000	2.23	AECO 7A	(1,142)
Natural gas fixed	Apr 1, 2021 to Oct 31, 2021	10,000	2.14	AECO 7A	(240)
Natural gas fixed	Apr 1, 2021 to Mar 31, 2022	35,000	2.25	AECO 7A	(1,755)
Net derivative instrument financial liability					**(3,137)**

The fair values of these contracts are highly sensitive to changes in the natural gas reference prices. Holding other assumptions constant, if the AECO 7A price increased (decreased) by $0.10 per gigajoule, the fair market value of the net derivative financial instrument liability would increase (decrease) by approximately $2.0 million.

In March 2020, the Company entered into a forward physical commodity sales contract to fix the price of 750 gigajoules per day of natural gas production at C$1.54 per gigajoule from April 1 to October 31, 2020. Physical sales contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the consolidated statement of financial position. Settlements on this contract are recognized in oil and gas sales each month as incurred.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its Credit Facility which bears a floating rate of interest. Under the Credit Facility, interest rates fluctuate based on the Canadian prime rate plus an applicable margin ranging from 2.0% to 5.5%, depending upon the Company's then current debt to cash flow ratio of between less than one times to greater than three times. Based on average bank debt outstanding of $9.0 million during the year ended December 31, 2020, an increase (decrease) in the market rate of interest by 50 basis points would increase (decrease) interest expense by approximately $0.1 million. As at December 31, 2020, there are no interest rate risk management contracts outstanding.

Currency Risk

Currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are currently conducted in Canada and are denominated in Canadian dollars. Spartan is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. The CA$/US$ exchange rate closed at 1.273 on December 31, 2020 (December 31, 2019 – 1.299) and averaged 1.341 CA$/US$ during 2020 compared to an average of 1.327 CA$/US$ during 2019. The Canadian dollar strengthened relative the U.S. dollar during the fourth quarter, averaging 1.303 CA$/US$ for the three months ended December 31, 2020, compared to an average of 1.332 CA$/US$ during the third quarter of 2020. A weaker U.S. dollar has a negative impact on Canadian dollar equivalent commodity prices resulting in weaker realized pricing for the Company, all else being equal. The impact of the weaker U.S. dollar on Spartan's realized oil price was offset by narrowing of the discount of domestic crude oil prices during the second half of 2020. As at December 31, 2020, there were no foreign exchange risk management contracts outstanding.

Liquidity Risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company's financial liabilities as at December 31, 2020 include accounts payable, derivative financial instrument liabilities, and bank debt. The Company prepares and regularly updates its capital and operating budget to forecast future cash flows to ensure, to the extent possible, that it will have sufficient liquidity to meet its obligations. As at December 31, 2020, the Company's Net Debt of $12.3 million, represented 12% of the authorized borrowing amount available under Spartan's $100.0 million Credit Facility.

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

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial assets include cash and cash equivalents, accounts receivable, deposits and derivative financial instrument assets. Cash and cash equivalents are held on deposit with a Canadian chartered bank. The Company's credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners. The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are generally considered "past due" and relate primarily to receivables from the Company's joint venture partners. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Many oil and gas companies are facing significant financial challenges due to the current business environment. As at December 31, 2020, Spartan's expected credit loss provision is $0.2 million.

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 expenditures, continuity of non-capital losses 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.

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.

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 A&D market has also become increasingly competitive in recent months as more energy companies, including Spartan, seek to consolidate operations to increase in scale and relevance to investors.

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.

Failure to Realize Anticipated Benefits of Acquisitions

Spartan has an acquisitive growth strategy. 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, the Company may periodically consider disposing of non-core assets so that Spartan can focus its efforts and resources more efficiently.

Environmental Risks

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. Spartan works hard to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. Spartan maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

The oil and gas industry is subject to environmental regulation under a variety of Canadian federal, provincial, territorial and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. The regulations in Canada are some of the most stringent and progressive in the world. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain crude oil and natural gas industry operations, including the abandonment and reclamation of well, facility and pipeline sites. Compliance with such regulations can require significant expenditures by the businesses operating and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties. Further to these specific, known requirements, future changes to environmental legislation, including legislation for air pollution and greenhouse gas emissions, may impose further requirements on operators and other companies in the crude oil and natural gas industry. The Company works with applicable federal, provincial and municipal regulators to ensure compliance.

Climate Change

Climate change is an important issue with heightened levels of attention by governments, regulators and investors on effective reporting in this area. The business risks posed by climate change will impact most companies, directly or indirectly. Physical risks such as more extreme weather events may impact the Company’s assets and operations, and may have broader impacts on supply chains and markets including commodity prices. Transition risks such as climate policy, carbon taxes, or technological shifts may impact Spartan’s revenues, costs, profitability, asset values and liabilities, and may have implications for the future viability of the business model.

The Company's production facilities and other operations and activities emit greenhouse gasses (“GHG”) 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.

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. 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. 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.

OTHER ABBREVIATIONS

A&D	Acquisitions and Dispositions
AECO-C	Alberta Energy Company “C” Meter Station of the NOVA Pipeline System, the Canadian benchmark price for natural gas
API	American Petroleum Institute gravity
bbl	barrel
bbls/d	barrels per day
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
CEWS	Canada Emergency Wage Subsidy
COVID-19	refers to the outbreak of the novel coronavirus, a public health crisis
G&A	general and administrative expenses
G&G	geological and geophysical expenses
GAAP	refers to Canadian Generally Accepted Accounting Principles, which incorporate International Financial Reporting Standards (“IFRS”) for public companies
GJ	gigajoule
LMR	Liability Management Rating of the Alberta Energy Regulator
bbls	one thousand barrels
BOE	one thousands barrels of oil equivalent
mcf	one thousand cubic feet
mcf/d	one thousand cubic feet per day
MMBtu	one million British thermal units
mmcf	one million cubic feet
nm	“not meaningful”, generally with reference to a percentage change
NCL	non-capital losses
NGL	natural gas liquids
NYMEX	New York Mercantile Exchange
SRP	Site Rehabilitation Program of the Alberta government
TSX	Toronto Stock Exchange
US$	United States dollar
WTI	West Texas Intermediate, price paid in US$ at Cushing, Oklahoma, for crude oil of standard grade

FORWARD-LOOKING STATEMENTS

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

Without limitation, this MD&A contains forward-looking statements pertaining to:
- the intentions of management and the Company with respect to its growth strategy and business plan;
- Spartan's intention to maintain a flexible capital structure;
- Spartan's intentions to maintain a strong balance sheet to allow the Company to take advantage of opportunities;
- the anticipated completion of the Inception Acquisition, the Simonette Acquisition, and the Non-Brokered Offering, as well as the timing thereof;

- the expectation that the gross proceeds of the Prospectus Offering will be released from escrow upon closing of the Inception Acquisition;
- the estimated value of common share consideration to be issued in connection with the Inception Acquisition and Simonette Acquisition;
- the amount of net debt expected to be assumed on the Inception Acquisition;
- the estimated amount of closing adjustments to the purchase price for the Simonette Acquisition and the Willesden Green Acquisition;
- the estimated amount of liabilities assumed and included in the purchase price for the BXE Asset Acquisition;
- anticipated benefits of the proposed Acquisitions, including but not limited to: estimates of current production and weighting of crude oil, NGLs and natural gas; future growth opportunities; the expectation that the Acquisitions will provide multiple years of development drilling inventory; and estimated tax pools including the Acquisitions;
- anticipated operational results for 2021 including, but not limited to, estimated or anticipated production levels, Operating Netbacks, Adjusted Funds Flow, capital expenditures, Free Funds Flow, Net Debt (Surplus), future common shares outstanding and other information discussed under "Outlook and Guidance" in this MD&A;
- Spartan's objective to maintain an industry leading Liability Management Rating;
- estimated future development capital expenditures required to develop total proved plus probable reserves;
- capital resources and liquidity, including Spartan's expectations regarding sources of funding for future development capital expenditures and acquisitions;
- estimates used to calculate the lease liabilities, decommissioning obligations, depletion and impairment of PP&E, and deferred income tax assets and liabilities;
- expectations of challenging long-term market conditions and Spartan's position to withstand future commodity price volatility;
- the estimated amount of decommissioning costs expected to be recovered through funding under the Alberta government's Site Rehabilitation Program;
- commitments and contingencies; and
- expectations for forecast commodity prices in 2021 and beyond.

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

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

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include:

- potential inability to complete the Inception Acquisition or the Simonette Acquisition;
- the conditions to completion of the Prospectus Offering and Non-Brokered Offering may not be satisfied;
- failure to realize the anticipated benefits of the Acquisitions;

- synergies of the Acquisitions may be delayed or realized in a lesser amount than initially expected;
- unforeseen difficulties integrating the assets to be acquired pursuant to Acquisitions into Spartan's operations;
- adverse effects on general economic conditions in Canada, the United States and globally, including due to the COVID-19 pandemic;
- the material uncertainties and risks described under the headings "Risks and Uncertainties" and "Non-GAAP Measures";
- the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production;
- delays or changes in plans with respect to exploration or development projects or capital expenditures;
- volatility in market prices for oil and natural gas;
- uncertainties associated with estimating oil and natural gas reserves and the ability of the Company to realize value from its properties;
- geological, technical, drilling and processing problems;
- facility and pipeline capacity constraints and access to processing facilities and to markets for production;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- marketing and transportation;
- prevailing weather and break-up conditions;
- environmental risks;
- competition for, among other things, capital, acquisition of reserves, undeveloped lands and skilled personnel;
- net production and transportation costs and future development costs;
- the ability to access sufficient capital from internal and external sources;
- changes in tax, royalty and environmental legislation; and
- litigation or regulatory proceedings that may be brought against the Company.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. The risk factors above should be considered in the context of current economic conditions, increased supply resulting from evolving exploitation methods, the attitude of lenders and investors towards corporations in the energy industry, potential changes to royalty and taxation regimes and to environmental and other government regulations, the condition of financial markets generally, as well as the stability of joint venture and other business partners, all of which are outside the control of the Company. Also to be considered are increased levels of political uncertainty and possible changes to existing international trading agreements and relationships. Legal challenges to asset ownership, limitations to rights of access and adequacy of pipelines or alternative methods of getting production to market may also have a significant effect on the Company's business. Additional information on these and other factors that could affect the business, operations or financial results of Spartan are included in reports on file with applicable securities regulatory authorities, including (but not limited to) the AIF, which may be accessed on Spartan's SEDAR profile at www.sedar.com or on the Company's website at www.spartandeltacorp.com.

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

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