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## **SPARTAN DELTA CORP. PROVIDES OPERATIONAL AND CORPORATE UPDATE AND REVISES 2021 GUIDANCE**

**Calgary, Alberta – January 6, 2021 – Spartan Delta Corp. ("Spartan" or the "Company") (TSXV:SDE)** is pleased to provide an operational and corporate update with revised guidance for 2021.

### **Highlights:**

- Early results of Spartan's drilling program are positive with fourth quarter production exceeding guidance.
- Executing on consolidation strategy, including three small but strategic acquisitions in Spartan's focus development areas.
- Continued operational and financial performance results in upward revision to 2021 Adjusted Funds Flow guidance.

### **Winter Drilling Program**

Spartan's winter drilling program of six Spirit River locations is progressing ahead of schedule and budget. The first two well pad was drilled, completed and on production as of mid-December, 2020 and a three well pad is in the final stages of drilling. Wells drilled to date are consistent with expectations with payout forecasted to be less than twelve months and yielding greater than 100% internal rate of return on current strip commodity pricing. Spartan expects to accelerate into the first quarter the drilling of two wells previously scheduled for the fall of 2021, including a two-mile well into the Cardium formation.

### **Fourth Quarter Production**

Average production for the fourth quarter was maintained in line with third quarter production levels at approximately 26,000 BOE/d despite a base decline of 19% on Spartan's asset base. Production is 5% ahead of Spartan's mid-range guidance for the fourth quarter. This reflects the continued success of the Company's production optimization activities in the field and earlier than expected production contribution from two new wells in the second half of December.

### **Acquisitions Update**

Spartan has closed one acquisition and executed definitive agreements for two additional strategic acquisitions in its target development areas for total consideration of \$7.1 million (comprised of \$0.9 million cash and the issuance of 2,002,584 common shares of Spartan) and the assumption of minimal abandonment liability. The acquisitions add 28 sections of land in the Montney play fairway along with 105 BOE/d of production (60% natural gas). The two additional strategic acquisitions are expected to close on or about January 15, 2021. Expected pro-forma contribution from the assets to be acquired is included in the revised corporate guidance for 2021, set out below.

### **Operational and Financial Improvements**

Spartan continues to execute on the implementation of organic operational measures and strategic initiatives with industry partners. The Company expects 2021 operating expense of \$5.10/BOE, which is 16% lower than third quarter of 2020 operating expense and 15% lower than previously announced 2021 guidance. As a result of both operational and financial improvements, Spartan expects 2021 Adjusted

Funds Flow of \$92.5 million, an increase of 40% from prior guidance, and Free Funds Flow of \$49.5 million, an increase of 102% from prior guidance.

## Revised Corporate Guidance for 2021

Below is a summary of revised corporate guidance for 2021:

<i>(CA\$ millions, except as otherwise noted)</i>	New 2021 Guidance	Prior 2021 Guidance	Change (%)
<b>Average Production</b>			
Crude oil and condensate	5%	5%	-
NGLs	25%	25%	-
Conventional natural gas	70%	70%	-
Combined (BOE/d)	29,000 – 31,000	27,000 – 29,000	7%
<b>Forecast Average Commodity Prices</b>			
WTI oil price (US\$/bbl)	45.00	45.00	-
AECO natural gas price (\$/GJ)	2.75	2.75	-
Average Exchange Rate (CA\$/US\$)	1.32	1.32	-
<b>Key Assumptions</b>			
Average royalty rate (% of oil and gas sales)	11%	11%	-
Operating expenses (\$/BOE)	5.10	6.00	(15%)
Transportation expenses (\$/BOE)	1.45	1.45	-
G&A expenses (\$/BOE)	1.40	1.50	(7%)
Capital expenditures, excluding acquisitions (\$MM)	43.0	40.0 – 43.0	-
Well count (# gross = net)	9	8 – 9	-
Adjusted Funds Flow <sup>(1)(2) (3) (4)</sup> (\$MM)	92.5	66.0	40%
Free Funds Flow <sup>(1)</sup> (\$MM)	49.5	23.0 – 26.0	102%
Net Debt (Surplus), end of period <sup>(1)</sup> (\$MM)	(34.5)	(8.5)	306%
Common shares outstanding, end of period (MM)	60.2	58.2	3%

(1) "Adjusted Funds Flow", "Free Funds Flow" and "Net Debt (Surplus)" do not have standardized meanings under IFRS, refer to the "Non-GAAP Measures" advisories at the end of this press release.

(2) Based on the midpoint of 2021 average production guidance of 30,000 BOE/d.

(3) Based on acquisitions, current forecast production, commodity prices, future acquisitions and capital expenditures, Spartan is not expecting to pay current income taxes for a minimum of 5 years.

(4) Adjusted Funds Flow Sensitivity: \$0.25/Gj change in AECO results in ~\$5-6MM change in AFF, \$5/bbl change in WTI results in ~\$4-5MM change in AFF.

## About Spartan Delta Corp.

Spartan is an energy company whose ESG-focused culture is centered on generating sustainable free funds flow through oil and gas exploration and development. Building on its existing high-quality, low-decline operated production in the heart of the Alberta Deep Basin, Spartan intends to continue acquiring diversified assets that can be restructured, optimized and rebranded, financially or operationally, yielding an increase to shareholder value. The Company is well positioned to continue pursuing immediate production optimization and responsible future growth. Further detail is available in Spartan's corporate presentation, which can be accessed on its website at [www.spartandeltacorp.com](http://www.spartandeltacorp.com).

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## **READER ADVISORIES**

### **Non-GAAP Measures**

This release contains certain financial measures, as described below, which do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS") or Generally Accepted Accounting Principles ("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 release, 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.

### ***Adjusted Funds Flow and Free Funds Flow***

"Adjusted Funds Flow" is calculated as cash provided by operating activities determined in accordance with IFRS, adjusted to add back changes in non-cash working capital and transaction costs on acquisitions and to deduct cash lease payments. 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 (Surplus).

"Free Funds Flow" is calculated as Adjusted Funds Flow less total net capital expenditures, excluding acquisitions.

### ***Net Debt (Surplus)***

Throughout this release, references to "Net Debt (Surplus)" 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. The Adjusted Working Capital surplus included in Spartan's forecasted Net Debt (Surplus) at the end of 2021 includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities and the current portion of decommissioning obligations. 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.

### **Forward-Looking and Cautionary Statements**

Certain statements contained within this press release 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", "endeavor", "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 press release contains forward-looking statements pertaining to: the intentions of management and the Company with respect to its growth strategy and business plan; Spartan's expectations regarding its winter drilling program, including the location of wells, scheduled drilling and completion dates, expected rate of return and the timing of expected payout from such wells; forecasted reductions in operating costs; closing of the above-described strategic acquisitions; expected production and contribution from acquired assets; expectations regarding Spartan's income tax obligations and timing thereof; and Spartan's production forecasts and 2021 guidance.

The forward-looking statements and information are based on certain key expectations and assumptions made by Spartan, including expectations and assumptions concerning the business plan of the Company, expected production, receipt of required approvals from the TSX Venture Exchange, market conditions and benefits and synergies arising from the acquired assets and the Company's strategic partnerships. Although Spartan believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Spartan can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to, fluctuations in commodity prices, changes in industry regulations and political landscape both domestically and abroad, foreign exchange or interest rates, stock market volatility, impacts of the current COVID-19 pandemic and the retention of key management and employees. Please refer to the Company's most recent Annual Information Form and MD&A for additional risk factors relating to Spartan, which can be accessed either on Spartan's website at [www.spartandeltacorp.com](http://www.spartandeltacorp.com) or under the Company's profile on [www.sedar.com](http://www.sedar.com). Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof, and to not use such forward-looking information for anything other than its intended purpose. Spartan undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

### **Future Oriented Financial Information**

Any financial outlook or future oriented financial information in this press release, as defined by applicable Canadian securities legislation, has been approved by management of Spartan. Readers are cautioned that any such future-oriented financial information contained herein, including (but not limited to) references to payout, internal rates of return and the Company's corporate outlook and guidance for 2021, generally, should not be used for purposes other than those for which it is disclosed herein. The Company and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results.

### **Other Measurements**

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.

This press release 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 (Mcf) per barrel (bbl). The term BOE may be misleading, particularly if used in isolation. 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.

References to "oil" in this press release include crude oil and condensate. References to "natural gas liquids" or "NGLs" include pentane, butane, propane, and ethane. References to "gas" relates to natural gas.

National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* includes condensate within the product type of "natural gas liquids". Spartan has disclosed condensate sales separate from natural gas liquids because the value equivalency of condensate is more closely aligned with crude oil. The Company believes the presentation of condensate as disclosed herein provides a more accurate representation of operations and results therefrom.

*Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this press release.*