SPARTAN DELTA CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2023 AND 2022

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

(CA$ thousands)	[Note]	**September 30, 2023**	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		**141,186**	124,399
Restricted cash	[12]	**151,394**	-
Accounts receivable	[4]	**47,582**	140,413
Prepaid expenses and deposits		**11,128**	8,011
Other current assets	[6]	**-**	2,340
Derivative financial instruments	[4]	**19,005**	33,845
Total current assets		**370,295**	309,008
Exploration and evaluation assets	[7]	**6,891**	104,120
Property, plant and equipment	[8]	**449,757**	1,524,272
Right-of-use assets	[9]	**35,302**	42,119
Deferred income tax asset	[13]	**-**	119,956
Total assets		**862,245**	2,099,475
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	[4]	**96,201**	176,855
Dividends payable	[12]	**151,394**	85,704
Derivative financial instruments	[4]	**1,252**	818
Lease liabilities	[9]	**9,880**	9,450
Decommissioning obligations	[10]	**3,918**	5,800
Share-based compensation liability	[12]	**16,093**	-
Current debt	[11]	**148,197**	-
Total current liabilities		**426,935**	278,627
Long-term debt	[11]	**-**	145,180
Lease liabilities	[9]	**28,694**	36,045
Decommissioning obligations	[10]	**49,265**	122,802
Deferred income tax liability	[13]	**39,023**	-
Total liabilities		**543,917**	582,654
SHAREHOLDERS' EQUITY			
Share capital	[12]	**11,712**	553,647
Contributed surplus		**498**	24,400
Retained earnings		**306,118**	938,774
Total shareholders' equity		**318,328**	1,516,821
Total liabilities and shareholders' equity		**862,245**	2,099,475
Commitments and contingencies	[18]		
Subsequent events	[20]		

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

Approved on behalf of the Board of Directors:

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

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

(CA$ thousands, except per share amounts)	[Note]	Three months ended September 30 **2023**	2022	Nine months ended September 30 **2023**	2022
Revenue					
Oil and gas sales	[14]	**81,878**	347,218	**566,937**	1,107,341
Royalties	[14]	**(10,425)**	(32,484)	**(58,997)**	(121,940)
Oil and gas sales, net of royalties		**71,453**	314,734	**507,940**	985,401
Pipeline transportation		**-**	-	**-**	1,364
Processing and other		**1,647**	2,273	**7,531**	6,611
		73,100	317,007	**515,471**	993,376
Gain (loss) on derivative financial instruments	[4]	**2,771**	21,151	**34,307**	(52,054)
Expenses					
Operating		**18,601**	58,313	**119,015**	173,915
Transportation		**5,886**	19,104	**39,840**	55,644
Pipeline transportation		**-**	-	**-**	1,718
General and administrative		**5,188**	6,493	**15,436**	18,832
Share-based compensation	[12]	**4,379**	3,142	**27,381**	8,800
Financing expense	[15]	**6,163**	7,934	**11,699**	24,716
Exploration and evaluation expense	[7]	**-**	733	**21,030**	1,592
Depletion, depreciation and impairment	[8,9]	**19,288**	53,674	**123,690**	145,973
		59,505	149,393	**358,091**	431,190
Other income (expenses)					
Gain (loss) on sale of assets	[5]	**(4,864)**	35	**544,477**	1,688
Write down of other non-current assets		**-**	-	**-**	(7,500)
Transaction costs	[5]	**-**	(162)	**(18,804)**	(186)
Other income		**95**	3,201	**3,193**	4,837
Foreign exchange gain (loss)	[4]	**253**	460	**(228)**	885
		(4,516)	3,534	**528,638**	(276)
Net income before income taxes		**11,850**	192,299	**720,325**	509,856
Deferred income tax expense (recovery)	[13]	**2,845**	(92,951)	**167,802**	(18,311)
Net income and comprehensive income		**9,005**	285,250	**552,523**	528,167
Net income per share					
Basic	[12]	**0.05**	1.84	**3.21**	3.42
Diluted	[12]	**0.05**	1.64	**3.19**	3.06

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

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

(CA$ thousands)	[Note]	Share capital	Warrants	Contributed surplus	Retained earnings	Total
Balance at December 31, 2022		**553,647**	**-**	**24,400**	**938,774**	**1,516,821**
Net income and comprehensive income		**-**	**-**	**-**	**552,523**	**552,523**
Common shares issued, net of costs:						
Stock options exercised	[12]	**66**	**-**	**(20)**	**-**	**46**
Stock options cash settled	[12]	**(1,626)**	**-**	**(6,868)**	**-**	**(8,494)**
Share awards released on vesting	[12]	**13**	**-**	**(13)**	**-**	**-**
Dividends declared	[12]	**-**	**-**	**-**	**(1,662,733)**	**(1,662,733)**
Distributions declared	[12]	**-**	**-**	**-**	**(60,620)**	**(60,620)**
Return of capital	[12]	**(540,388)**	**-**	**-**	**540,388**	**-**
Share-based compensation expense		**-**	**-**	**10,323**	**-**	**10,323**
Equity settled awards converted to cash settled awards	[12]	**-**	**-**	**(27,324)**	**(11,037)**	**(38,361)**
Deferred tax recognized on conversion to cash settled awards	[13]	**-**	**-**	**-**	**8,823**	**8,823**
Balance at September 30, 2023		**11,712**	**-**	**498**	**306,118**	**318,328**
Balance at December 31, 2021		517,192	9,725	16,340	343,392	886,649
Net income and comprehensive income		-	-	-	528,167	528,167
Common shares issued, net of costs:						
Warrants exercised	[12]	718	(273)	-	-	445
Stock options exercised	[12]	5,811	-	(1,796)	-	4,015
Issue costs, net of deferred tax	[12]	(9)	-	-	-	(9)
Share awards released on vesting	[12]	2,501	-	(2,501)	-	-
Share-based compensation expense		-	-	9,466	-	9,466
Balance at September 30, 2022		**526,213**	**9,452**	**21,509**	**871,559**	**1,428,733**

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

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

(CA$ thousands)	[Note]	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Operating activities					
Net income		**9,005**	285,250	**552,523**	528,167
Items not affecting cash:					
Unrealized (gain) loss on derivatives	[4]	**31,132**	(38,172)	**26,418**	(28,001)
Unrealized foreign exchange (gain) loss	[4]	**(723)**	(275)	**(355)**	106
Share-based compensation	[12]	**4,379**	3,142	**27,381**	8,800
Financing	[15]	**474**	981	**2,254**	2,544
Exploration & evaluation	[7]	**-**	733	**21,030**	1,592
Depletion, depreciation and impairment	[8]	**19,288**	53,674	**123,690**	145,973
Write down of other non-current assets		**-**	-	**-**	7,500
Loss (gain) on sale of assets		**4,864**	(35)	**(544,477)**	(1,688)
Other income		**-**	(3,092)	**(3,098)**	(4,094)
Deferred income tax expense (recovery)	[13]	**2,845**	(92,951)	**167,802**	(18,311)
Settlement of acquired derivative liabilities	[4]	**(2,792)**	(5,302)	**(11,144)**	(40,008)
Settlement of decommissioning obligations	[10]	**(2,195)**	(1,157)	**(4,077)**	(3,097)
Change in non-cash working capital	[16]	**(3,097)**	18,365	**66,433**	(4,475)
Cash provided by operating activities		**63,180**	221,161	**424,380**	595,008
Financing activities					
Advances of debt, net of costs	[11]	**1,216**	85,696	**3,017**	326,644
Repayments of long-term debt	[11]	**-**	(167,850)	**-**	(569,600)
Issue of common shares, net of costs	[12]	**-**	269	**46**	4,448
Increase in restricted cash	[12]	**(151,394)**	-	**(151,394)**	-
Lease payments	[9]	**(2,402)**	(2,225)	**(7,300)**	(6,841)
Dividends paid	[12]	**(1,520,385)**	-	**(1,597,044)**	-
Cash settlement of RSA's and stock options	[12]	**(18,105)**	-	**(48,300)**	-
Cash used in financing activities		**(1,691,070)**	(84,110)	**(1,800,975)**	(245,349)
Investing activities					
Exploration and evaluation assets	[7]	**(349)**	(2,884)	**(11,036)**	(5,328)
Property, plant and equipment	[8]	**(27,146)**	(73,503)	**(252,085)**	(269,679)
Acquisitions	[5]	**(951)**	(6,000)	**(1,876)**	(5,903)
Dispositions	[5]	**114**	107	**1,704,734**	951
Change in non-cash working capital	[16]	**(14,169)**	(18,428)	**(46,350)**	(28,296)
Cash provided by (used in) investing activities		**(42,501)**	(100,708)	**1,393,387**	(308,255)
Net change in cash and cash equivalents		**(1,670,391)**	36,343	**16,792**	41,404
Foreign exchange on cash and cash equivalents		**227**	226	**(5)**	(47)
Cash and cash equivalents, beginning of period		**1,811,350**	6,033	**124,399**	1,245
Cash and cash equivalents, end of period		**141,186**	42,602	**141,186**	42,602

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

1. GENERAL INFORMATION

Spartan Delta Corp. (“Spartan” or the “Company”) was incorporated under the *Business Corporations Act* (Alberta) on March 20, 2006. The Company is engaged in exploration, development and production of crude oil and natural gas properties in western Canada. These financial statements include the consolidated balances of all subsidiaries (note 19). Spartan’s common shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “SDE”. The Company’s head office is located at 1600, 308 – 4th Avenue S.W., Calgary, Alberta T2P 0H7 and its registered office address is 4200 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

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

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

Concurrent with the Asset Sale, Spartan also announced a spin-out transaction (the “Spin-Out”) of certain assets and associated liabilities (the “Logan Assets”) predominantly in the Pouce Coupe, Simonette and Flatrock areas, as well as legacy production in the Noel area to a wholly owned subsidiary, Logan Energy Corp. (“Logan”). The Logan Assets were transferred and conveyed to Logan from Spartan in consideration for one (1) common share of Logan (each, a “Logan Share”) and one (1) purchase warrant of Logan per common share of Spartan (“Spartan Share”), and were distributed to eligible Spartan shareholders on July 6, 2023. As of July 6, 2023, Logan is no longer a wholly owned subsidiary of the Company (note 19). The purchase warrants distributed to Spartan shareholders entitled the holder to purchase one (1) Logan Share at an exercise price of $0.35 at any time on or before the close of business on August 14, 2023 (the “Transaction Warrants) to give financial intermediaries additional time to process and submit required documentation with respect to the exercise.

In aggregate, with the Asset Sale and the Spin-Out, the Company distributed $9.50 per Spartan Share (note 12), one Logan Share per Spartan Share, and one Transaction Warrant per Spartan Share (the “Distribution”) to eligible Spartan shareholders.

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

Refer to note 5 “Acquisitions and Dispositions” and note 19 “Related Party Disclosures” for additional information regarding the Asset Sale, Spin-Out and Distribution (collectively, the “Transaction”).

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements as at September 30, 2023 (the “Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. Certain disclosures included in the notes to the annual financial statements have been condensed in the following interim note disclosures or have been disclosed on an annual basis only. Accordingly, these Financial Statements should be read in conjunction with the audited consolidated annual financial statements for the years ended December 31, 2022 and 2021 (the “2022 Annual Financial Statements”).

The Company’s Board of Directors (the “Board”) approved these Financial Statements on November 7, 2023.

b) Basis of measurement

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

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

c) Significant estimates and judgements

The timely preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgements, estimates and assumptions made by management in these Financial Statements are consistent with those outlined in note 2 of the 2022 Annual Financial Statements, unless otherwise noted below.

Disposal of non-current assets

Once a disposal group is identified as held for sale, all associated assets are reclassified as current and presented separately in the statement of financial position. In addition, any liabilities directly associated with assets held for sale are also reclassified and presented as a separate financial statement line item. An asset or disposal group identified as held for sale may also be considered a discontinued operation if a component of an entity is disposed. A component must comprise operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes. A component must also represent a separate major line of business or a geographical segment as defined under IFRS 8 *Operating segments*. Judgement is required in determining whether ‘discontinued operations’ accounting is required. As at September 30, 2023, assets and liabilities associated with the Asset Sale and Spin-Out that were previously disclosed as assets and liabilities held for sale/ distribution have been disposed (note 5).

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

Recoverability of asset carrying values

Management applies judgement in assessing indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a cash generating unit or of an individual asset is determined as its fair value less costs of disposal ("FVLCD"). The key estimates in management's determination of recoverable amounts includes future commodity prices, expected production volumes, quantity of reserves and resources, future development and operating costs, discount rates, and income taxes. For the nine months ending September 30, 2023, the Company recognized a $21.0 million impairment of E&E and a $10.7 million impairment of PP&E due to the assets being reviewed under the Transaction (note 1). Details of the specific estimates and assumptions applied in the impairment analysis are provided in note 7 and note 8, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Cash, cash equivalents and restricted cash

Cash and cash equivalents include cash held on deposit and/or short-term investments with original maturities of three months or less at the time of purchase. Restricted cash represents unpaid dividend amounts whereby shareholders have yet to meet eligibility requirements (note 12).

Assets held for sale or distribution

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

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

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

Distribution of assets

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

The Board authorized the Spin-Out based on the Logan non-brokered private placement for aggregate proceeds of $48.5 million (the "Logan Financing") being approved on May 16, 2023. The distribution of Logan was recorded as at June 30, 2023 and subsequently settled on July 6, 2023 (note 5).

Exploration and evaluation expenditures

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

Share-based compensation

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

On March 28, 2023, Spartan announced that the Board approved the accelerated vesting of all outstanding RSAs ("the Cash Settled RSAs") and outstanding options, conditional upon the closing of the Asset Sale (note 1). Additionally, the issued and outstanding share awards will be settled on a cash basis. The intention of the Board to settle all outstanding Cash Settled RSAs in cash requires the RSAs to be accounted for as a liability as of the date of modification. On initial recognition of the liability as of the modification date, the fair value of the equity-settled award based on the elapsed portion of the accelerated vesting period is recorded as a liability with the offset recorded against equity. This liability is then remeasured at each subsequent reporting date. Any fluctuations in the fair value are recognized within share-based compensation expense with a corresponding charge to the liability. Details regarding the modification and acceleration are provided in note 12(e).

Future accounting changes

The IASB has issued a number of new accounting standards, amendments to accounting standards, and interpretations that are effective for annual periods beginning on or after January 1, 2024. None of the accounting pronouncements are expected to have a material impact upon initial adoption. Spartan will continue to evaluate the impact of the pronouncements which will be adopted on their respective effective dates.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 2023 and December 31, 2022, financial instruments of the Company include cash and cash equivalents, restricted cash, accounts receivable, deposits, accounts payable and accrued liabilities, dividends payable, derivative financial instruments, share-based compensation liability, current debt and long-term debt. The fair values of these financial assets and liabilities, excluding debt, approximate their carrying value due to the short term to maturity of those instruments. The fair value of debt approximates its carrying value given it bears floating rates of interest (note 11). The methodology used to determine the fair value for the Company's derivative financial instruments is described further in this note. Lease liabilities are financial liabilities measured at amortized cost.

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

Risk Management Overview

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

a) Credit Risk

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

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

(CA$ thousands)	**September 30, 2023**	December 31, 2022
Oil and gas marketers	**35,688**	129,853
Joint venture partners	**8,638**	10,560
Derivative financial instruments	**1,928**	-
Accrued Interest	**1,328**	-
Accounts receivable	**47,582**	140,413

During the three months ended September 30, 2023, sales to three oil and gas marketers represented more than 10% of revenue. Sales to these marketers account for approximately 93% of total oil and gas sales revenue (before royalties) in the three months ended September 30, 2023. During the previous year ended December 31, 2022, sales to one marketer accounted for approximately 38% of total oil and gas sales revenue (before royalties). Spartan's oil and gas marketers are primarily large, credit-worthy institutions.

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

(CA$ thousands)	Current	30-60 days	60-90 days	Over 90 days	Total
Balance at September 30, 2023	**41,363**	**1,643**	**1,239**	**3,337**	**47,582**
Balance at December 31, 2022	135,140	2,953	1,306	1,014	140,413

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

b) Liquidity Risks

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company's financial liabilities as at September 30, 2023 include accounts payable, dividends payable, derivative financial instrument liabilities, share-based compensation liability, current debt and long-term debt. In addition, the Company has financial commitments in respect of lease liabilities (note 9).

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 September 30, 2023, Spartan had $150.0 million outstanding under its second lien term facility (the "Term Facility") and an undrawn revolving credit facility (the "Credit Facility") with an authorized borrowing amount of $250.0 million (note 11).

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

The Company has sufficient liquidity for the next 12 months as current cash balances of $141.2 million, future cash flow from operations and access to the undrawn amended Credit Facility is expected to be sufficient to fund the Term Facility repayment and meet the Company's financial obligations (including the dividends payable).

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

(CA$ thousands)	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	96,201	-	-	-	96,201
Dividends payable (note 12)	151,394	-	-	-	151,394
Derivative financial instrument liabilities	1,252	-	-	-	1,252
Credit Facility (1) (note 11)	1,144	-	-	-	1,144
Term Facility (2) (note 11)	158,436	-	-	-	158,436
Undiscounted lease liabilities (3) (note 9)	11,829	21,855	7,865	1,759	43,308
Share-based compensation liability (note 12)	17,599	-	-	-	17,599
Total	**437,855**	**21,855**	**7,865**	**1,759**	**469,334**

(1) The Credit Facility (defined in note 11) is undrawn as at September 30, 2023. The table above includes estimated standby charges to be incurred on the $250 million authorized borrowing base to May 9, 2024, being the end of the current revolving period.

(2) The table above reflects the legal maturity for the Term Facility as at September 30, 2023. The above includes the principal, interest, fee payments and a portion of the make-whole premium over the period of October 1 to December 29, 2023. $8.0 million of the make-whole premium due on December 29, 2023 has been included in accounts payable and accrued liabilities with the remaining $4.0 million included in the Term Facility. The Company anticipates the Term Facility payment, including December interest to be $163.5 million on December 29, 2023.

(3) As at September 30, 2023, the present value of the Company's total lease liability is $38.6 million, of which $9.9 million is expected to be settled in the next twelve months.

c) Market Risks

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

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

Commodity price risk

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

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

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

	Natural Gas (1)					
	NYMEX Henry Hub Swaps (2)		NYMEX – AECO 7A Basis Swaps – Short (2)		AECO 7A Swaps (3)	
Period	Volume mmbtu/d	US$/ mmbtu	Volume mmbtu/d	US$/ mmbtu	Volume GJ/d	CA$/ GJ
Q4 2023	85,000	$4.74	85,000	($1.08)	6,739	$4.00
Q2 2024	-	-	30,000	($0.99)	-	-
Asset (4) (Liability)	**$ 18.0 million**		**($0.9) million**		**$ 1.0 million**	

(1) The prices and volumes in this table represent averages for contracts represented in the respective periods.
(2) NYMEX swaps are settled based on the last day of settlement of monthly futures contracts.
(3) AECO 7A swaps are settled the first day of the month based on a weighted average of the previous month's fixed price trades.
(4) The above table includes the financial derivative asset (liability) for the Company's commodity contracts but does not include the derivative financial instrument liability of $0.4 million at September 30, 2023, related to foreign exchange risk management contracts.

During the third quarter of 2023, Spartan rebalanced its AECO 7A swaps by entering into new agreements with existing counterparties to settle 35,000 GJ/d at a range of fixed prices between $2.203/GJ - $2.235/GJ over the August, September and October timeframe. This rebalancing resulted in cash settlements of $5.7 million, with the realized gain of $5.7 million recorded in July 2023. As at September 30, 2023, $1.9 million is included in accounts receivable.

Subsequent to September 30, 2023, Spartan entered into new agreements to hedge 25,000 GJ/d of AECO 7A swaps for the full year of 2024 at a strike price of CA$3.01/GJ by restructuring 25,000 mmbtu/d of the Q2 2024 NYMEX – AECO 7A Basis Swaps – Short position.

Foreign exchange risk

Currency risk is the risk that future cash flows will change as a result of fluctuations of the Canadian to U.S. dollar exchange rate. Spartan is exposed to currency risk given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. The Company is also exposed to currency fluctuations through its U.S. dollar denominated derivatives and commodity sales. In addition, Spartan is exposed to currency risk on U.S. cash, accounts receivable and accounts payable balances, however the Company's currency exposure based on U.S. dollar denominated working capital balances outstanding at September 30, 2023 and at December 31, 2022 was not significant.

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

	Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	**2023**	2022	**2023**	2022
Realized foreign exchange gain (loss)	**(470)**	185	**(583)**	991
Unrealized foreign exchange gain (loss)	**723**	275	**355**	(106)
Foreign exchange gain (loss)	**253**	460	**(228)**	885

Spartan may enter into foreign exchange risk management contracts from time-to-time to manage currency risk on the Company's U.S. dollar denominated cash flows. The Company has contracts which fix the U.S. dollar exchange rate at $1.34 on a notional US$9.0 million per month from October 1, 2023 to December 31, 2023. The fair value of the foreign exchange contracts resulted in a current derivative financial instrument liability of $0.4 million at September 30, 2023 (December 31, 2022 – liability of $0.8 million).

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on long-term debt which bears floating rates of interest. Under the Credit Facility (note 11), interest rates fluctuate based on the bank prime rate plus an applicable margin, which varies based on the Company's net debt to cash flow ratio each quarter. At September 30, 2023, the Credit Facility is undrawn therefore an increase (decrease) in the market rate of interest by 50 basis points would not have an impact on annualized interest expense. Under the Term Facility (note 11), interest was fixed at the May 2023 bank prime rate of 6.7% plus the fixed spread of 5.25%, for a fixed interest rate of 11.95% until the Term Facility matures in December 2023 (note 11).

Summary of derivative financial instrument assets and liabilities

The fair value of the Company's outstanding risk management contracts resulted in a net derivative financial instrument asset of $17.8 million at September 30, 2023, compared to a net asset of $33.0 million at December 31, 2022. The change in the Company's derivative financial instruments assets and liabilities is summarized below:

(CA$ thousands)	**Current**	**Long-term**	**Total**
Balances at September 30, 2023:			
Derivative financial instrument assets	**19,005**	**-**	**19,005**
Derivative financial instrument liabilities	**(1,252)**	**-**	**(1,252)**
Net asset	**17,753**	**-**	**17,753**
Balances at December 31, 2022:			
Derivative financial instrument assets	33,845	-	33,845
Derivative financial instrument liabilities	(818)	-	(818)
Net asset	**33,027**	**-**	**33,027**
Reconciliation of net change during the period:			
Unrealized loss recognized in net income			(26,418)
Settlement of acquired derivative liabilities (1)			11,144
Total change in derivative financial instruments			**(15,274)**

(1) The Company acquired a derivative financial instrument liability with a fair value of $94.2 million on August 31, 2021, of which $79.2 million was subsequently settled up to and including the year ended December 31, 2022 and $11.1 million was settled during the nine months ended September 30, 2023. As of September 30, 2023, $3.9 million of the acquired derivative financial instrument liability is outstanding and will be settled over the course of 2023.

The fair values of derivative financial instruments are designated as Level 2 in the fair value hierarchy and are highly sensitive to changes in underlying commodity prices. The table below illustrates the stand-alone impact of changes in specified benchmark prices and differentials on net income before income taxes, holding all other variables constant, of risk management contracts in place as at September 30, 2023:

(CA$ thousands)	Change in price / differential	Positive movement	Negative movement
NYMEX Henry Hub	+/- US$ 0.25 per mmbtu	(2,646)	2,646
NYMEX HH-AECO 7A Basis (1)	+/- US$ 0.10 per mmbtu	(1,428)	1,428
AECO 7A	+/- CA$ 0.25 per GJ	(155)	155
US$/CA$ exchange rate	+/- $ 0.05	(1,350)	1,350

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

Gains and losses on derivative financial instruments

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

	Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	**2023**	2022	**2023**	2022
Realized gain (loss)	**33,903**	(17,021)	**60,725**	(80,055)
Unrealized gain (loss)	**(31,132)**	38,172	**(26,418)**	28,001
Gain (loss) on derivative financial instruments	**2,771**	21,151	**34,307**	(52,054)

Offsetting of financial instruments

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

	Carrying Value ("CV")		
Balance as at September 30, 2023	Gross	Netting	Net CV
Financial assets			
Derivative financial instruments	**19,432**	**(427)**	**19,005**
Financial liabilities			
Derivative financial instruments	**356**	**(1,608)**	**(1,252)**

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

5. ACQUISITIONS AND DISPOSITIONS

2023 Acquisitions and Dispositions

(i) Logan Energy Corp. Share Distribution

The Logan Assets were reclassified to assets held for distribution at March 31, 2023 as it was determined the Spin-Out was highly probable to be completed in the upcoming twelve months. Immediately prior to the reclassification an impairment analysis was completed at March 31, 2023 which resulted in an impairment of $28.6 million, comprised of an E&E impairment of $21.0 million (note 7) and a PP&E impairment of $7.6 million (note 8). As at June 30, 2023, $5.3 million of PP&E impairment (note 8) was identified and on July 5, 2023, $2.2 million of PP&E impairment reversal was identified. The Company transferred the Logan Assets and associated liabilities to Logan in exchange for Logan Shares and the Transaction Warrants to which the Logan Shares and the Transaction Warrants, valued at $60.6 million, were distributed to eligible Spartan shareholders (note 1) on July 6, 2023.

The Company distributed $60.6 million in Logan Shares and Logan Transaction Warrants as a return of capital to eligible Spartan shareholders. The distribution payable relating to the Logan Shares and Transaction warrants was recorded at its fair value of $60.6 million as at June 30, 2023. On July 6, 2023, the Distribution was disbursed and the Spin-Out was completed and Logan is no longer a subsidiary of Spartan.

Logan Share Distribution *(CA$ thousands)*	**Total**
Share distribution	**60,620**
Net working capital	120
Right-of-use assets	234
Property, plant and equipment	82,346
Exploration and evaluation assets	6,931
Lease liabilities	(206)
Decommissioning obligations	(28,805)
Fair value of net assets disposed	**60,620**

(ii) Asset Sale to Crescent Point

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

Asset Sale to Crescent Point *(CA$ thousands)*	**Total**
Purchase price	**1,700,000**
Adjustments	**2,279**
Cash consideration, after adjustments	**1,702,279**
Net working capital	100
Other current assets	7,945
Right-of-use assets	2,338
Property, plant and equipment	1,125,693
Exploration and evaluation assets	78,862
Other liabilities	(16,487)
Lease liabilities	(2,283)
Decommissioning obligations	(38,228)
Fair value of net assets disposed	**1,157,940**
Gain on sale of assets	**544,339**

(iii) Other

During the nine months ended September 30, 2023, the Company completed seismic acquisitions for cash consideration of $1.6 million (note 7) and, a pipeline acquisition for $0.3 million. The Company sold inventory for $2.4 million, disposed of vehicles for cash proceeds of $0.2 million, with a gain on disposition of $0.1 million recognized (note 8) and recognized minor final statement of adjustments from prior transactions.

2022 Acquisitions and Dispositions

During the year ended December 31, 2022, the Company completed minor property acquisitions for cash consideration of $0.7 million. The assets acquired primarily include undeveloped land (note 7). Acquisition costs in 2022 are net of $0.2 million of proceeds from favorable closing adjustments on property acquisitions completed in 2021. The Company also received $1.3 million of aggregate cash proceeds on minor property dispositions which resulted in a gain on sale of assets of $2.1 million as a result of disposing of associated decommissioning liabilities.

6. OTHER CURRENT ASSETS

In August 2022, the Company entered into an agreement (the “August 2022 Agreement”) with an industry partner to construct infrastructure in its core operating area at Gold Creek, Alberta. As of May 10, 2023, the August 2022 Agreement was transferred to Crescent Point as part of the Asset Sale (note 5) resulting in a disposal of the other current assets on the Consolidated Statements of Financial Position (December 31, 2022 - $2.3 million).

7. EXPLORATION AND EVALUATION ASSETS

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

(CA$ thousands)	**September 30, 2023**	December 31, 2022
Balance, beginning of year	**104,120**	102,596
Additions	**11,036**	17,255
Acquisitions (note 5)	**1,603**	605
Dispositions (note 5)	**(85,793)**	(3)
Transfers to PP&E (note 8)	**(3,045)**	(9,372)
Expired mineral leases (1)	**(13)**	(6,961)
Impairment (note 5)	**(21,017)**	-
Balance, end of period	**6,891**	104,120

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

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

At March 31, 2023, as a result of the Spin-Out (note 1), the E&E assets were transferred to assets held for distribution at the lower of carrying value or FVLCD. At March, 31, 2023, an impairment loss on the Logan Assets of $21.0 million was recorded. The E&E assets associated with the Spin-Out were not a recent development focus of Spartan, with the estimated fair value based on an independent third party land valuation for the Flatrock property combined with recent land purchases. At July 6, 2023, the remaining carrying value of $6.9 million for the E&E assets associated with the Spin-Out were conveyed and disposed.

8. PROPERTY, PLANT AND EQUIPMENT

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

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

PP&E, at cost *(CA$ thousands)*	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2021	1,448,890	1,151	1,450,041
Additions (1)	417,323	616	417,939
Acquisitions (2)	(125)	-	(125)
Dispositions	(125)	(48)	(173)
Transfers from E&E (note 7)	9,372	-	9,372
Changes in decommissioning cost estimates (note 10)	(35,515)	-	(35,515)
Balance at December 31, 2022	**1,839,820**	**1,719**	**1,841,539**
Additions (1)	**252,503**	**62**	**252,565**
Acquisitions	**373**	**-**	**373**
Dispositions	**(1,464,188)**	**(88)**	**(1,464,276)**
Transfers from E&E (note 7)	**3,045**	**-**	**3,045**
Changes in decommissioning cost estimates (note 10)	**(3,465)**	**-**	**(3,465)**
Balance at September 30, 2023	**628,088**	**1,693**	**629,781**

(1) During the nine months ended September 30, 2023, the Company capitalized $1.9 million of general and administrative expenses and $0.5 million of share-based compensation directly related to development activities. For the year ended December 31, 2022, the Company capitalized $3.0 million of general and administrative expenses and $1.0 million of share-based compensation.

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

Accumulated DD&I *(CA$ thousands)*	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2021	122,199	363	122,562
Depletion and depreciation	194,281	431	194,712
Dispositions	-	(7)	(7)
Balance at December 31, 2022	**316,480**	**787**	**317,267**
Depletion and depreciation	**105,458**	**373**	**105,831**
Dispositions	**(253,791)**	**(29)**	**(253,820)**
Impairment of assets	**10,746**	**-**	**10,746**
Balance at September 30, 2023	**178,893**	**1,131**	**180,024**

Net carrying value	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2022	1,523,340	932	1,524,272
Balance at September 30, 2023	**449,195**	**562**	**449,757**

Future Development Capital ("FDC") expenditures required to develop total proved plus probable reserves in the amount of $1.0 billion are included in the depletion calculation for D&P assets for the three months ended September 30, 2023 ($4.0 billion at December 31, 2022).

Impairment of PP&E

Spartan reviews each of its cash generating units ("CGUs") for indicators of potential impairment at the end of each reporting period. As at September 30, 2023, Spartan has one CGU. Spartan assessed its CGU for indicators of potential impairment and concluded there are no indicators of impairment as at September 30, 2023.

During the third quarter of 2023, the Company adjusted the fair value of net assets disposed under the Spin-Out as a result of post closing adjustments and recognized an impairment reversal of $2.2 million in the Consolidated Statements of Net Income and Comprehensive Income for the three months ended September 30, 2023.

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

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

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

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

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

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

Table 1 – Selected Benchmark Price Forecasts

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

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

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

At March 31, 2023, an impairment review was required for the assets under the Asset Sale and Spin-Out immediately prior to the reclassification from PP&E to assets held for sale or distribution, respectively (note 6). The recoverable amount of the asset groups was estimated based on FVLCD methodology, calculated using the present value of the expected future cash flows discounted at 13% after tax. The estimated recoverable amount of the PP&E under the Asset Sale exceeded the carrying value and were reclassified to assets held for sale with no recognition of an impairment loss. The carrying value of the PP&E assets associated with the Spin-Out exceeded the FVLCD and an impairment loss of $7.6 million was recognized in the Consolidated Statements of Net Income and Comprehensive Income for the three months ended March 31, 2023.

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

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

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

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

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

Table 2 – Selected Benchmark Price Forecasts

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

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

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

9. LEASES

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

RIGHT-OF-USE ASSETS

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

(CA$ thousands)	**September 30, 2023**	December 31, 2022
Right-of-use asset, at cost		
Balance, beginning of year	**64,043**	64,257
Additions	**2,868**	-
Lease modification	**-**	(214)
Dispositions (note 5)	**(2,830)**	-
Balance, end of period	**64,081**	64,043
Accumulated depreciation		
Balance, beginning of year	**21,924**	12,468
Depreciation expense	**7,113**	9,456
Dispositions (note 5)	**(258)**	-
Balance, end of period	**28,779**	21,924
Right-of-use asset, net carrying value	**35,302**	42,119

LEASE LIABILITIES

As at September 30, 2023, the present value of the Company's total lease liability is $38.6 million, of which approximately $9.9 million is expected to be settled in the next twelve months. A continuity of the lease obligation is provided below:

(CA$ thousands)	**September 30, 2023**	December 31, 2022
Lease liabilities		
Balance, beginning of year	**45,495**	54,796
Additions	**2,868**	-
Lease payments	**(9,150)**	(11,949)
Financing cost (note 15)	**1,850**	2,862
Lease modification	**-**	(214)
Dispositions (note 5)	**(2,489)**	-
Balance, end of period	**38,574**	45,495
Expected to be settled within one year	**9,880**	9,450
Expected to be settled beyond one year	**28,694**	36,045

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

The Company has short term leases in place primarily for equipment with contract terms less than twelve months, expensed within operating expenses. The total amount expensed in respect of short-term leases was approximately $2.8 million during the nine months ended September 30, 2023 (nine months ended September 30, 2022 – $4.8 million).

10. DECOMMISSIONING OBLIGATIONS

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

(CA$ thousands)	**September 30, 2023**	December 31, 2022
Balance, beginning of year	**128,602**	171,845
Obligations incurred	**2,616**	4,352
Obligations acquired	**-**	145
Obligations disposed	**(67,033)**	(1,118)
Obligations settled	**(4,077)**	(5,018)
Obligations settled through government grant [(1)]	**(3,098)**	(5,252)
Changes in discount rate	**(5,309)**	(44,944)
Changes in estimates	**(772)**	5,077
Accretion (note 15)	**2,254**	3,515
Balance, end of period	**53,183**	128,602
Expected to be settled within one year	**3,918**	5,800
Expected to be settled beyond one year	**49,265**	122,802

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

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at September 30, 2023, the total undiscounted amount of the estimated cash flows required to settle the obligation is $74.1 million ($155.4 million as of December 31, 2022), of which, Spartan expects to incur approximately $34.1 million over the next 20 years, $38.6 million in 20 to 50 years and the residual thereafter. The estimated inflated undiscounted future cash flows required to settle the obligation is $137.6 million at September 30, 2023 based on an inflation rate of 2.3% on average over the restoration period (December 31, 2022 – $265.8 million based on an inflation rate of 2.3%).

As at September 30, 2023, the carrying amount of the decommissioning obligations is based on a risk-free rate of 3.9% (3.3% at December 31, 2022). The increase in discount rate resulted in a decrease in the carrying amount of decommissioning obligations by $5.3 million as at September 30, 2023 compared to December 31, 2022.

11. DEBT

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

(CA$ thousands)	**September 30, 2023**	December 31, 2022
Second lien term facility	**150,000**	150,000
Unamortized issue costs	**(1,803)**	(4,820)
Debt	**148,197**	145,180

a) Bank debt

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

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

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

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

The Company is subject to certain financial covenants under the amended Credit Facility which include the following for as long as the following covenants apply to the Term Facility (hereinafter defined):

(A) the maximum funded debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, as defined in the credit agreement and below), calculated quarterly, shall not exceed 2.5 to 1.0; and

(B) the asset coverage ratio of the Company shall not be less than 1.5 to 1.0, calculated annually.

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

Covenant Description(1)		**September 30, 2023**	December 31, 2022
Liability management rating (2)	minimum ratio 2.0 to 1.0	**8.84**	10.59
Funded debt to EBITDA (3)(4)	maximum ratio 2.5 to 1.0	**0.51**	0.18
Asset coverage ratio (5)	minimum ratio 1.5 to 1.0	**N/A**	10.37

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

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

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

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

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

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

During the third quarter of 2023, the demand letter of credit facility which provides Spartan with additional credit capacity to issue letters of credit was reduced from $25.0 million to $10.0 million. The letters of credit may be issued for general corporate purposes and are limited to a term of one year from the date of issuance. Letter of credit obligations are repayable on demand. As at September 30, 2023, there is $2.0 million of issued but undrawn letters of credit under the letter of credit facility (December 31, 2022 - $2.0 million).

b) Second lien term facility

On August 31, 2021, the Company established a $150.0 million non-revolving term facility (the "Term Facility"). During the second quarter of 2023, the Company agreed with the lender to an early repayment on December 29, 2023 of the outstanding Term Facility. As a result of the December repayment date, the Term Facility has been presented as a current liability on the Consolidated Statement of Financial Position. Spartan shall pay all accrued and unpaid interest and fees, plus the applicable make-whole premium and all other obligations owing to such Lender under the Term Facility. The make-whole premium is equal to (i) all future interest payments and (ii) all payments of annual review fees, that would otherwise be payable up to August 31, 2024.

The Term Facility now bears interest at a fixed rate of 11.95% payable monthly and is subject to the same asset coverage and total debt to EBITDA financial covenants as the amended Credit Facility, as described above. Further, as a condition precedent to the Credit Facility amendment, the Intercreditor Agreement between the lender of the Term Facility and the syndicate of lenders for the Credit Facility was concurrently amended (note 11(a)).

c) Movements in debt

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

(CA$ thousands)	**September 30, 2023**	December 31, 2022
Balance, beginning of year	**145,180**	387,564
Advances	**-**	324,050
Repayments	**-**	(569,600)
Issue costs incurred	**(518)**	(946)
Amortization of issue costs	**3,535**	2,343
Change in prepaid interest on bankers' acceptances	**-**	1,769
Balance, end of period	**148,197**	145,180
Current portion of debt	**148,197**	-

12. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares, an unlimited number of preferred shares, and an unlimited number of special shares, each without par value. Common shares carry one vote per share and the right to any dividends declared. The preferred shares may be issued in series, with the directors determining the terms of the preferred shares on a series-by-series basis.

b) Issued and outstanding

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

	Number of common shares (000s)	Amount ($ thousands)
Balance at December 31, 2021	153,214	517,192
Issued for cash on exercise of warrants	15,814	15,814
Transfer value attributed to warrants exercised	-	9,725
Issued for cash on exercise of stock options	1,736	5,619
Transfer value attributed to stock options exercised	-	2,525
Released upon vesting of restricted share awards	646	2,781
Issue costs, net of deferred tax ($3)	-	(9)
Balance at December 31, 2022	**171,410**	**553,647**
Issued for cash on exercise of stock options	**14**	**46**
Cash payment on settlement of stock options	**1,775**	**(8,494)**
Transfer value attributed to stock options exercised/ settled	**-**	**6,888**
Return of capital	**-**	**(540,388)**
Released upon vesting of restricted share awards	**2**	**13**
Balance at September 30, 2023	**173,201**	**11,712**

Dividends

On November 8, 2022, Spartan declared a special cash dividend of $85.7 million ($0.50 per common share) payable on January 16, 2023 to eligible shareholders of record on December 15, 2022. As of September 30, 2023, Spartan has paid $76.7 million of the cash distribution to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance of $9.0 million continues to be accrued as a financial liability and included in restricted cash.

On May 10, 2023, Spartan declared a special cash dividend of $17.3 million ($0.10 per common share) payable on July 31, 2023 to eligible shareholders of record on July 14, 2023. The special dividend is designated as an eligible dividend for Canadian income tax purposes. As of September 30, 2023, Spartan has paid $15.8 million of the dividend to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance of $1.5 million continues to be accrued as a financial liability and included in restricted cash.

On May 10, 2023, the Company declared a Cash Dividend of $1.65 billion ($9.50 per common share of Spartan) from the cash proceeds of the Asset Sale, payable on July 6, 2023 to eligible shareholders of record on June 20, 2023. The Cash Dividend is a combination of a return of capital and an eligible dividend for Canadian income tax purposes. As of September 30, 2023, Spartan has paid $1.50 billion of the Cash Dividend to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance of $140.9 million continues to be accrued as a financial liability and included in restricted cash.

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

All dividend payments are subject to shareholders meeting certain eligibility requirements.

c) Warrants

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

	Number of warrants (000s)	Amount ($ thousands)	Average exercise price ($/share)
Balance at December 31, 2021	15,814	9,725	1.00
Warrants exercised	(15,814)	(9,725)	(1.00)
Balance at December 31, 2022 and September 30, 2023	**-**	**-**	**-**

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

d) Stock options

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The Board has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants of the stock option and share award plans. All stock options have a maximum term of five years and the vesting period for each grant is determined at the discretion of the Board. On August 2, 2023, the Company granted options under the stock option plan.

On March 28, 2023, in connection with the Transaction (note 1), the Company announced that the Board contemporaneously approved accelerating the vesting of the issued and outstanding options and share awards (note 12(e)). All outstanding options fully vested after closing of the Asset Sale on May 10, 2023. The outstanding options were settled on May 19, 2023 after lifting of trading blackouts following the closing of the Asset Sale based on Spartan's closing trading price the day prior to settlement.

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

The following table summarizes the change in stock options outstanding:

	Number of options (000s)	Average exercise price ($/share)
Balance at December 31, 2021	4,358	3.36
Granted (1)	799	8.29
Exercised	(1,736)	(3.24)
Forfeited	(98)	(5.19)
Balance at December 31, 2022	**3,323**	**4.56**
Granted (1)(3)	**98**	**4.32**
Exercised	**(1,789)**	**(4.56)**
Forfeited	**(4)**	**(3.00)**
Cancelled, settled in cash (2)	**(1,530)**	**(4.56)**
Balance at September 30, 2023	**98**	**4.32**

(1) The options granted vest 1/3 per year on the anniversary date of the grant.
(2) Concurrent with the Asset Sale (note 1) in May 2023, the vesting was accelerated for all existing options.
(3) New options were granted during the third quarter.

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

	Nine months ended September 30	
	2023	2022
Risk free interest rate	**4.5%**	1.7%
Expected life (years)	**3.0**	3.0
Expected volatility (1)	**50.0%**	60.0%
Expected dividend yield	**0.0%**	0.0%
Expected forfeiture rate	**0.0%**	1.1%
Average fair value of options granted ($/share)	**1.62**	3.36

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

The volume weighted average trading price of the Company's common shares on the TSX for the three and nine months ended September 30, 2023 was $4.29 and $10.77, respectively. During the three and nine months ended September 30, 2022, the volume weighted average trading price of the Company's common shares on the TSX was $12.00 and $11.55, respectively.

e) Share awards

The Company has a share award incentive plan, pursuant to which the Company may grant RSAs and PSAs to directors, officers, employees and consultants of the Company. There are no PSAs outstanding (December 31, 2022 – nil).

Cash Settled RSAs

As noted above in note 12(d), in connection with the Transaction the Board simultaneously approved accelerating the vesting of the issued and outstanding options and share awards. All outstanding awards will vest between the closing of the Asset Sale on May 10, 2023 and December 15, 2023. The outstanding awards were valued at $15.66 per award based on the Spartan's 5-day volume weighted average trading price ("VWAP") up to May 19, 2023. The settlement dates of the share-award liability are dependent upon certain performance conditions with the liability being fully extinguished on or before December 15, 2023.

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

At March 28, 2023, the Company recorded a share-based compensation liability of $38.4 million relating to the modification from equity-settled to cash-settled awards, with $27.3 million offset against previously recognized contributed surplus and $11.0 million offset against retained earnings within shareholders' equity. From March 28, 2023 to September 30, 2023, the Company has remeasured the liability at fair value and recognized $17.5 million of share-based compensation expense with a corresponding charge to the liability. The Company has paid $39.8 million during the second and third quarter of 2023 resulting in a remaining share-based compensation liability of $16.1 million.

Equity Settled RSAs

On August 2, 2023, the Company issued new RSAs under the share award incentive plan ("Equity Settled RSAs"), pursuant to which the Company may grant RSAs. The share awards granted under the share award incentive plan are intended to be settled through the issuance of new common shares upon vesting for no additional consideration. The Board of Directors shall not grant new share awards under the plan if the number of shares issuable pursuant to outstanding share awards, when combined with the number of shares issuable pursuant to outstanding stock options granted under the Company's stock option plan, would exceed 10% of the issued and outstanding common shares at the time of the grant. The vesting period is determined at the discretion of the Board of Directors.

The following table summarizes the change in share awards outstanding:

	Number of Cash Settled RSAs (000s)[1]	Number of Equity Settled RSAs (000s)[2]
Balance at December 31, 2021	-	1,959
Granted (1)	-	2,416
Released upon vesting	-	(646)
Forfeited	-	(183)
Balance at December 31, 2022	**-**	**3,546**
Granted (1)	**-**	**15**
Issued in lieu of dividend	**-**	**120**
Released upon vesting	**-**	**(2)**
Forfeited	**-**	**(12)**
Balance before modification (1)	**-**	**3,667**
Transferred to Cash Settled (1)	**3,667**	**(3,667)**
Granted (2)	**-**	**1,225**
Forfeited	**(1)**	**(4)**
Released upon cash settlement	**(2,542)**	**-**
Balance at September 30, 2023	**1,124**	**1,221**

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

f) Per share amounts

The table below summarizes the weighted average ("WA") number of common shares outstanding (000's) used in the calculation of net income per share for the three and nine months ended September 30, 2023 and 2022:

	Three months ended September 30		Nine months ended September 30	
(000s)	**2023**	2022	**2023**	2022
WA common shares outstanding, basic	**173,201**	155,412	**172,302**	154,562
Dilutive effect of stock options	**-**	2,235	**899**	2,173
Dilutive effect of share awards	**1,100**	1,991	**208**	1,949
Dilutive effect of warrants	**-**	14,087	**-**	14,038
WA common shares outstanding, diluted	**174,301**	173,725	**173,409**	172,722
Net income	**9,005**	285,250	**552,523**	528,167
$ per common share, basic	**0.05**	1.84	**3.21**	3.42
$ per common share, diluted	**0.05**	1.64	**3.19**	3.06

13. INCOME TAXES

As at September 30, 2023, total tax pools available to the Company are estimated to be $238 million (December 31, 2022 – $2.1 billion), of which approximately 94% are non-capital losses ("NCLs").

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

	Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	**2023**	2022	**2023**	2022
Net income before income taxes	**11,850**	192,299	**720,325**	509,856
Canadian statutory tax rate [(1)]	**23.0%**	23.0%	**23.0%**	23.0%
Expected income tax expense	**2,726**	44,229	**165,675**	117,267
Increase resulting from:				
Non-deductible expenses [(2)]	**119**	692	**2,380**	731
Write down of other non-current assets	**-**	-	**-**	1,725
True-up tax pools	**-**	10	**(253)**	(152)
Acquired tax asset recognized in income	**-**	(137,882)	**-**	(137,882)
Deferred income tax expense (recovery)	**2,845**	(92,951)	**167,802**	(18,311)
Current income tax	**-**	-	**-**	-
Income tax expense (recovery)	**2,845**	(92,951)	**167,802**	(18,311)

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

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

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

(CA$ thousands)	Balance at Dec 31, 2022	Recognized in net income	Recognized in balance sheet	**Balance at Sep 30, 2023**
Derivative financial instruments	(7,596)	3,513	-	**(4,083)**
Accelerated tax basis depreciation	(190,134)	86,258	-	**(103,876)**
Share-based compensation liability	-	(5,121)	8,823	**3,702**
Decommissioning obligations	29,578	(17,346)	-	**12,232**
Leases	776	(23)	-	**753**
Share issue costs	1,619	(122)	-	**1,497**
Non-capital losses and other [(1)]	285,713	(234,961)	-	**50,752**
Deferred income tax asset (liability)	**119,956**	**(167,802)**	**8,823**	**(39,023)**

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

Under IFRS, deferred income tax assets may only be recognized to the extent that it is probable that future taxable profits will be available against which unused tax losses and deductible temporary differences can be utilized.

Contemporaneous with the Transaction (note 1), the Board announced it will accelerate the vesting of options and share awards, with the intention to settle the share awards in cash. A $38.4 million share-based compensation liability with a corresponding offset to shareholders' equity was recognized on modification of the share awards (note 12(e)), with a corresponding deferred tax asset of $8.8 million.

14. OIL AND GAS SALES, NET OF ROYALTIES

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

	Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	**2023**	2022	**2023**	2022
Oil and gas sales				
Crude oil	**5,092**	148,262	**208,225**	429,588
Natural gas liquids	**39,679**	76,786	**167,707**	255,137
Natural gas	**37,107**	122,170	**191,005**	422,616
Oil and gas sales	**81,878**	347,218	**566,937**	1,107,341
Royalties	**(10,425)**	(32,484)	**(58,997)**	(121,940)
Oil and gas sales, net of royalties	**71,453**	314,734	**507,940**	985,401

15. FINANCING

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

	Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	**2023**	2022	**2023**	2022
Interest and fees on debt	**10,318**	6,281	**27,482**	20,006
Financing cost of lease liabilities	**573**	698	**1,850**	2,195
Accretion of decommissioning obligations	**474**	981	**2,254**	2,544
Financing expense	**11,365**	7,960	**31,586**	24,745
Interest income	**(5,202)**	(26)	**(19,887)**	(29)
Financing expense	**6,163**	7,934	**11,699**	24,716

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	**2023**	2022	**2023**	2022
Accounts receivable	**(3,338)**	45,123	**92,831**	(8,995)
Prepaid expenses and deposits	**(16)**	1,941	**(3,117)**	(5,753)
Other current assets	**-**	(41)	**2,340**	(7,958)
Accounts payable and accrued liabilities	**(14,185)**	(47,135)	**(80,654)**	(10,006)
Non-cash working capital disposed (note 5)	**(227)**	-	**8,322**	-
Foreign exchange	**500**	49	**361**	(59)
Change in non-cash working capital (1)	**(17,266)**	(63)	**20,083**	(32,771)
Relating to:				
Operating activities	**(3,097)**	18,365	**66,433**	(4,475)
Investing activities	**(14,169)**	(18,428)	**(46,350)**	(28,296)
Change in non-cash working capital	**(17,266)**	(63)	**20,083**	(32,771)
Cash payments in respect of:				
Interest and fees on debt	**5,742**	6,061	**16,234**	18,657

(1) Change in non-cash working capital excludes the impact of $151.4 million and $85.7 million of dividends declared, but not yet paid as at September 30, 2023 and December 31, 2022, respectively.

17. CAPITAL MANAGEMENT

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

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

(CA$ thousands)	**September 30, 2023**	December 31, 2022
Working capital (surplus) deficit	**56,640**	(30,381)
Adjusted for current portion of:		
Derivative financial instrument assets	**19,005**	33,845
Derivative financial instrument liabilities	**(1,252)**	(818)
Lease liabilities	**(9,880)**	(9,450)
Current debt	**(148,197)**	-
Adjusted Working Capital surplus (1)(2)	**(83,684)**	(6,804)
Current debt	**148,197**	-
Long-term debt	**-**	145,180
Net Debt (2)	**64,513**	138,376
Total shareholders' equity	**318,328**	1,516,821

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

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

Spartan's Adjusted Working Capital surplus of $83.7 million at September 30, 2023 increased from the Adjusted Working Capital surplus of $6.8 million at December 31, 2022. The capital intensive nature of Spartan's operations may create a working capital deficiency during periods with high levels of capital investment, however the Company maintains sufficient unused bank credit lines to satisfy working capital deficiencies when they occur. The Company has sufficient liquidity for the next 12 months to meet working capital requirements with the current cash balances of $292.6 million (including restricted cash), future cash flow from operations and access to the undrawn amended Credit Facility (note 11), all of which are expected to be sufficient to fund the Term Facility repayment and meet the Company's financial obligations (including the dividends payable).

During the nine months ended September 30, 2023, the Company's primary sources of funds were $424.4 million of cash provided by operating activities and $1.70 billion of cash related to the Asset Sale, supplemented by short-term advances of bank debt under the Credit Facility.

During the nine months ended September 30, 2023, Spartan used its cash provided by operating activities and proceeds from the Asset Sale to fund the Company's exploration and development capital expenditures of $263.1 million, $1.6 billion of dividend payments, $151.4 million of restricted cash, a $39.8 million payment relating to the settlement of Cash Settled RSAs and options and lease principal payments of $7.3 million.

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

Three months ended (CA$ thousands)	**September 30, 2023**	December 31, 2022
Cash provided by operating activities	**63,180**	200,363
Change in non-cash operating working capital	**3,097**	34,765
Add back: transaction costs	**-**	(43)
Deduct: lease payments	**(2,402)**	(2,246)
Adjusted Funds Flow for the quarter	**63,875**	232,839
Less: Cashflow adjustment for disposition	**(219)**	-
Less: Other income - gain on construction project	**-**	(14,315)
Adjusted Funds Flow for the quarter – normalized(1)	**63,656**	218,524
Factor to Annualize	**4**	4
Annualized Adjusted Funds Flow (2)	**254,624**	874,096
Net Debt	**64,513**	138,376
Annualized Adjusted Funds Flow	**254,624**	874,096
Net Debt to Annualized AFF Ratio	**0.3x**	0.2 x

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

(2) The Annualized Adjusted Funds Flow reflects ongoing operations for the three months ended September 30, 2023 multiplied by a factor of 4.

As at September 30, 2023, Spartan had Net Debt of $64.5 million, which is approximately 0.3 times the Company's Annualized Adjusted Funds Flow for the third quarter of 2023. Net Debt of $138.4 million at December 31, 2022 decreased as a result of the cash proceeds from the Asset Sale, reduced operating activities from Asset Sale and the Spin-Out, partially offset by the $9.50 per share Cash Dividend declared, the cash payment relating to settlement of the Cash Settled RSAs and options and higher transaction costs in the nine months ended.

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

In the fourth quarter of 2022, Spartan announced the Repositioning Process, which concluded on March 28, 2023 through announcement of an Asset Sale, which subsequently closed on May 10, 2023, the planned distribution of the

Logan Assets through the Spin-Out (note 1), and a cash distribution (note 12). The majority of the cash received from the Asset Sale was distributed to Spartan shareholders and all equity ownership in Logan was distributed to Spartan shareholders on July 6, 2023. On May 10, 2023, Spartan declared an additional special cash dividend of $0.10 per Spartan Share to shareholders of record on July 14, 2023 and payable July 31, 2023 (note 12). Spartan intends to return a portion of its Free Funds Flow to Spartan shareholders through periodic special dividends, while maintaining a strong financial position targeting a leverage ratio of approximately 0.5x debt to cash flow.

As at September 30, 2023, the Company is not subject to any externally imposed capital requirements other than the financial covenants under the amended and restated Credit Facility and Term Facility, to which Spartan is in full compliance (note 11).

18. COMMITMENTS AND CONTINGENCIES

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

(CA$ thousands)	2023	2024	2025	2026	2027	Thereafter
Gas transportation (1)	2,116	8,463	8,463	8,024	3,966	4,202
Liquids transportation (2)	146	576	4,032	1,296	-	-
Total commitments (3)	**2,262**	**9,039**	**12,495**	**9,320**	**3,966**	**4,202**

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

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

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

Following the completion of the Asset Sale and the Spin-Out (note 1), $232.2 million of previously disclosed commitments were transferred to Crescent Point and $62.4 million of previously disclosed commitments were transferred to Logan, respectively.

Litigation

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

19. RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

As at September 30, 2023, Spartan has no subsidiaries. On June 20, 2023, the Logan Assets were transferred and conveyed to Logan from Spartan in consideration for one (1) common share of Logan and one (1) purchase warrant of Logan per common share of Spartan. The common shares and warrants of Logan were subsequently distributed through the Spin-Out (note 1) on July 6, 2023 and Logan is no longer a subsidiary of Spartan. Spartan previously had a second subsidiary, Inception General Partner Inc., however, it was disposed of through the Asset Sale on May 10, 2023.

b) Related party transactions

During the nine months ended September 30, 2023, the Company incurred $3.8 million of legal fees to a law firm where the corporate secretary of the Company is a partner (nine months ended September 30, 2022 – $1.0 million), with the fees primarily relating to legal support through the Transaction (note 1). Approximately $0.3 million of legal fees are included in the balance of accounts payable and accrued liabilities as at September 30, 2023 (December 31, 2022 – $0.1 million).

On July 6, 2023, the Distribution of Logan Shares and Transaction Warrants to eligible holders of common shares of Spartan was completed and Logan ceased to be a subsidiary of Spartan. Additionally, Spartan and Logan entered into an agreement to support the transition of resources through the Spin-Out (the “Transition Services Agreement”). Pursuant to the Transition Services Agreement, Spartan will provide certain administrative services to Logan and Logan will provide certain administrative services to Spartan. These services will be billed based on time incurred and will be included as part of G&A expenses.

Logan was classified as a related party up to July 6, 2023, in which the Company had an accounts receivable of $2.5 million due from Logan (December 31, 2022 – nil), primarily related to net operating income of the transferred assets for the period of June 20, 2023 to July 6, 2023, offset by capital expenditures, prepaid operating expenses and G&A incurred on behalf of Logan.

20. SUBSEQUENT EVENTS

Derivative Financial Instruments

Subsequent to September 30, 2023, Spartan entered into new agreements to hedge 25,000 GJ/d of AECO 7A swaps for the full year of 2024 at a strike price of CA$3.01/GJ by restructuring 25,000 mmbtu/d of the Q2 2024 NYMEX – AECO 7A Basis Swaps – Short position.

Property Acquisitions

On November 1, 2023, Spartan closed an acquisition to purchase petroleum and natural gas rights and properties located in the Gilby area, for cash consideration of approximately $17.8 million before closing adjustments.