

Spartan Energy Corp.

Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016

(Unaudited – dollar amounts in thousands of Canadian, except as noted)

Spartan Energy Corp.
Consolidated Statements of Financial Position
(Unaudited - in thousands of Canadian dollars)

	September 30 2016	December 31 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 43	\$ 43
Trade and other receivables	22,674	15,115
Prepaid expenses and deposits	5,916	1,894
	28,633	17,052
Non-current assets		
Exploration and evaluation assets (note 4)	29,118	24,006
Properties and equipment (note 5)	1,000,165	760,786
Deferred income tax asset (note 12)	71,828	23,752
Total Assets	\$ 1,129,744	\$ 825,596
Liabilities		
Current liabilities		
Trade and other liabilities	\$ 29,315	\$ 17,864
Flow through premium liability (note 11)	112	331
Derivative contracts (note 14)	162	-
Finance lease obligations (note 7)	4,369	-
Bank debt (note 6)	48,272	85,516
	82,230	103,711
Non-current liabilities		
Decommissioning liabilities (note 8)	204,139	110,910
Finance lease obligations (note 7)	27,948	-
Total Liabilities	314,317	214,621
Equity		
Share capital (note 9)	\$ 859,550	\$ 642,052
Contributed surplus	27,802	25,426
Warrants	13,343	13,343
Deficit	(85,261)	(69,823)
Accumulated other comprehensive loss	(7)	(23)
	815,427	610,975
Total Liabilities and Equity	\$ 1,129,744	\$ 825,596

Commitments - note 15

The accompanying notes are integral to the interim consolidated financial statements.

Approved on behalf of the Board of Directors:

"signed" *Michael Stark*

Michael Stark, Director

"signed" *Reginald Greenslade*

Reginald Greenslade, Director

Spartan Energy Corp.

Consolidated Statements of Comprehensive Income (Loss)

For the periods ended September

(Unaudited - in thousands of Canadian dollars, except per share amounts)

	Three Months Ended September 2016		Three Months Ended September 2015		Nine Months Ended September 2016		Nine Months Ended September 2015	
Revenue								
Oil and gas sales	\$	50,534	\$	35,068	\$	114,745	\$	117,562
Royalties		(7,805)		(5,674)		(17,205)		(18,399)
		42,729		29,394		97,540		99,163
Gain on acquisition (note 3)		12,554		-		12,554		-
Gain on derivative contracts (note 14)		177		-		203		-
		55,460		29,394		110,297		99,163
Expenses								
Operating and transportation		20,905		12,902		46,274		41,614
Exploration and evaluation expenses (note 4)		1,676		1,057		4,477		7,851
General and administrative		1,868		1,431		5,465		4,971
Stock-based compensation		2,022		1,473		3,428		5,291
Transaction costs		166		-		731		2
Impairment (note 5)		-		34,000		-		34,000
Depletion and depreciation (note 5)		25,226		22,215		70,333		72,834
		51,863		73,078		130,708		166,563
Finance expense:								
Interest expense		983		720		1,948		2,456
Accretion on decommissioning liabilities		825		606		1,976		1,739
		1,808		1,326		3,924		4,195
Income (Loss) before income taxes								
		1,789		(45,010)		(24,335)		(71,595)
Deferred income tax recovery (note 12)		(2,313)		(11,622)		(8,897)		(19,937)
Net income (loss) for the period	\$	4,102	\$	(33,388)	\$	(15,438)	\$	(51,658)
Other comprehensive income (loss)								
Foreign currency translation on foreign operations		(5)		(12)		16		(9)
Comprehensive income (loss) for the period	\$	4,097	\$	(33,400)	\$	(15,422)	\$	(51,667)
Earnings (loss) per share								
Basic	\$	0.01	\$	(0.13)	\$	(0.05)	\$	(0.20)
Diluted	\$	0.01	\$	(0.13)	\$	(0.05)	\$	(0.20)

Spartan Energy Corp.

Statements of Changes in Equity

For the periods ended September

(In thousands of Canadian dollars)

	Share capital	Contributed surplus	Warrants	Deficit	Accumulated other comprehensive income (loss)	Total
Balance - January 1, 2016	\$ 642,052	\$ 25,426	\$ 13,343	\$ (69,823)	\$ (23)	\$ 610,975
Changes during period:						
Net loss	-	-	-	(15,438)	-	(15,438)
Issue of common shares	177,071	-	-	-	-	177,071
Corporate acquisitions	36,417	-	-	-	-	36,417
Property acquisitions	7,297	-	-	-	-	7,297
Exercise of stock options	1,287	(474)	-	-	-	813
Exercise of restricted share units	1,336	(1,336)	-	-	-	-
Share issue costs, net of tax	(5,910)	-	-	-	-	(5,910)
Stock-based compensation	-	4,186	-	-	-	4,186
Foreign currency translation on foreign operations	-	-	-	-	16	16
Balance - September 30, 2016	\$ 859,550	\$ 27,802	\$ 13,343	\$ (85,261)	\$ (7)	\$ 815,427
Balance - January 1, 2015						
	\$ 640,079	\$ 17,313	\$ 13,346	\$ 7,955	\$ 1	\$ 678,694
Changes during period:						
Net loss	-	-	-	(51,658)	-	(51,658)
Issue of common shares related to acquisitions	304	-	-	-	-	304
Exercise of warrants	9	-	(3)	-	-	6
Stock-based compensation	-	6,467	-	-	-	6,467
Foreign currency translation on foreign operations	-	-	-	-	(9)	(9)
Balance - September 30, 2015	\$ 640,392	\$ 23,780	\$ 13,343	\$ (43,703)	\$ (8)	\$ 633,804

The accompanying notes are integral to the interim consolidated financial statements

Spartan Energy Corp.
Consolidated Statements of Cash Flows
For the periods ended September
(In thousands of Canadian dollars)

	Three Months Ended September 2016	Three Months Ended September 2015	Nine Months Ended September 2016	Nine Months Ended September 2015
Cash and cash equivalents provided by (used in)				
Operating activities				
Net income (loss) for the period	\$ 4,102	\$ (33,388)	\$ (15,438)	\$ (51,658)
Items not affecting cash:				
Depletion and depreciation	25,226	22,215	70,333	72,834
Impairment	-	34,000	-	34,000
Accretion expense	825	606	1,976	1,739
Gain on acquisition	(12,554)	-	(12,554)	-
Unrealized (gain) loss on derivative contracts	(228)	-	(265)	-
Stock-based compensation	2,022	1,473	3,428	5,291
Exploration and evaluation expenses	1,676	1,057	4,477	7,851
Deferred income tax	(2,313)	(11,622)	(8,897)	(19,937)
Net change in non-cash operating working capital items (note 13)	(5,162)	(1,529)	(23,628)	3,115
Net cash flows from operating activities	13,594	12,812	19,432	53,235
Investing activities				
Properties and equipment acquired	(22,392)	(1,035)	(81,437)	(1,549)
Exploration and evaluation assets acquired	(1,078)	-	(6,486)	-
Expenditures on properties and equipment	(19,957)	(19,254)	(42,978)	(48,003)
Expenditures on exploration and evaluation assets	(823)	(308)	(1,788)	(1,119)
Net change in non-cash investing working capital items	5,508	4,388	20,074	(10,313)
Net cash flows used in investing activities	(38,742)	(16,209)	(112,615)	(60,984)
Financing activities				
Issuance of common shares	80,820	-	177,071	-
Exercise of stock options	-	-	813	-
Exercise of warrants	-	-	-	7
Share issue costs	(3,566)	-	(8,097)	-
Increase (repayment) of bank debt	(51,755)	3,410	(37,244)	7,745
Repayment of bank debt acquired	-	-	(39,014)	-
Repayment of finance lease obligations (net)	(334)	-	(334)	-
Net cash flows from (used in) financing activities	25,165	3,410	93,195	7,752
Foreign exchange effect on cash and cash equivalents	(21)	1	(12)	3
Change in cash and cash equivalents during the period	\$ (4)	\$ 14	\$ 0	\$ 6
Cash and cash equivalents - beginning of period	47	172	43	180
Cash and cash equivalents - end of period	\$ 43	\$ 186	\$ 43	\$ 186
Interest paid	\$ 983	\$ 720	\$ 1,948	\$ 2,456

The accompanying notes are integral to the interim consolidated financial statements

Spartan Energy Corp.

Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2016

(Unaudited – dollar amounts in thousands of Canadian, except as noted)

1 Reporting entity

Spartan Energy Corp. (“Spartan”, the “Company” or the “Corporation”) is an Alberta incorporated TSX exchange listed oil and natural gas exploration and production company whose business activities are focused in Western Canada. The interim consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2016 are comprised of the Company and its wholly-owned subsidiaries Renegade Petroleum (North Dakota) Ltd. and Petro Uno Resources Ltd. – North Dakota, which were incorporated under the laws of the State of North Dakota. The Company’s head office address is Suite 500, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8.

2 Basis of presentation and significant accounting policies

(a) Basis of presentation

These interim consolidated 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”. These interim consolidated financial statements do not include all of the information required for full annual financial statements. The interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by IASB.

These interim consolidated financial statements were approved and authorized for issue by the Corporation’s Board of Directors on November 8, 2016.

(b) Significant accounting estimates and judgements

The preparation of financial statements requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Management reviews estimates and assumptions on a continual basis and makes changes to such estimates based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, the impact of these estimates, assumptions and judgments are subject to management uncertainty, and the effect on the financial statements in future periods could be material. Actual results may differ 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 revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are outlined in the Company’s annual consolidated financial statements for the year ended December 31, 2015.

(c) Significant accounting policies

These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and accompanying notes for the year ended December 31, 2015. These interim consolidated financial statements have been prepared following the same accounting policies as described in note 2 of the Company’s annual consolidated financial statements for the year ended December 31, 2015.

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Notes to the Interim Consolidated Financial Statements

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Accounting standards issued but not yet applied

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. Spartan is currently evaluating the impact of the standard on the Company's consolidated financial statements.

IFRS 9 Financial Instruments was issued in July 2014 and is intended to replace IAS 39, Financial Instruments: Recognition and Measurement and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Spartan is currently evaluating the impact of the standard on the Company's consolidated financial statements.

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right-of-use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. Spartan is currently evaluating the impact of the standard on the Company's consolidated financial statements.

In April 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows" and IAS 12 "Income Taxes" for annual periods beginning on or after January 1, 2017, with earlier application permitted. IAS 7 and IAS 12 have been revised to incorporate amendments issued by the IASB in January 2016. The amendments to IAS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Company is currently evaluating the impact of the amendments on the consolidated financial statements. Spartan is currently evaluating the impact of the standard on the Company's consolidated financial statements.

3 Acquisitions

- a. On May 30, 2016, Spartan acquired certain interests in undeveloped land and producing petroleum and natural gas properties for total consideration of \$9.5 million including the issuance of 2,323,767 common shares of Spartan. The consolidated statements of comprehensive income (loss) include the results of operations for the period following the close of the transaction on May 30, 2016. Spartan's net loss for the nine months ended September 30, 2016 includes \$0.8 million of oil and gas sales and \$0.3 million of net operating income (oil and gas sales, less royalties, less operating and transportation costs) generated from the acquired assets since the acquisition date. If the assets had

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been acquired on January 1, 2016, an additional \$1.0 million of oil and gas sales and \$0.3 million of net operating income would have been included in the consolidated statements of comprehensive income (loss) for the nine months ended September 30, 2016. Transaction costs in the amount of \$0.1 million were incurred by Spartan and recorded to the consolidated statements of comprehensive income (loss). The additional oil and gas sales and net income are estimates and may not be representative of the results had the acquisitions actually occurred on January 1, 2016.

The acquisition was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at fair value.

The values assigned to the acquired assets were as follows:

Exploration and evaluation assets	\$	1,878
Properties and equipment		8,060
Decommissioning liabilities		(469)
	\$	9,469
Paid by:		
Cash		2,172
Common shares		7,297
	\$	9,469

The accounting for this acquisition will be finalized after all actual results have been obtained and the final fair values of the assets and liabilities have been determined. Accordingly, the above acquisition accounting may be subject to change.

- b. On June 23, 2016, Spartan acquired all of the issued and outstanding shares of Wyatt Oil and Gas Inc. ("Wyatt"), a privately held corporation with light oil assets in southeast Saskatchewan, in exchange for 11,416,035 common shares of Spartan.

The consolidated statements of comprehensive income (loss) include the results of operations for the period following the close of the transaction on June 23, 2016. Spartan's net loss for the nine months ended September 30, 2016 includes \$4.5 million of oil and gas sales and \$1.7 million of net operating income (oil and gas sales, less royalties, less operating and transportation costs) generated from the acquired assets since the acquisition date. The revenue and expenses of Wyatt from January 1, 2016 to June 23, 2016 have not been included in the Spartan interim consolidated statements of comprehensive income (loss) for that period. If Wyatt had been acquired on January 1, 2016 an additional \$7.2 million of oil and gas sales and a net loss of \$2.7 million would have been included in the Spartan interim consolidated statements of comprehensive income (loss) for the nine months ended September 30, 2016. The additional oil and gas sales and net loss are estimates and may not be representative of the results had the acquisitions actually occurred on January 1, 2016.

Spartan and Wyatt amalgamated on September 30, 2016. Transaction costs in the amount of \$0.4 million were incurred by Spartan and recorded to the consolidated statements of comprehensive income (loss). The acquisition was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at fair value.

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Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2016

(Unaudited – dollar amounts in thousands of Canadian, except as noted)

The values assigned to the net assets acquired were as follows:

Current assets	\$	3,409
Current liabilities (excluding bank debt)		(7,259)
Bank debt		(39,014)
Exploration and evaluation assets		1,605
Properties and equipment		53,248
Deferred income tax asset		26,609
Finance lease		(168)
Decommissioning liabilities		(2,013)
	\$	36,417
Paid by:		
Common shares	\$	36,417

The above allocation has been determined from information available to management of Spartan at this time and incorporates estimates. Spartan has issued 11,416,035 common shares, valued at \$3.19 per share based on the closing price of Spartan shares on June 23, 2016. Accounting for the acquisition will be finalized after all actual results have been obtained and the final fair values of the assets and liabilities have been determined. Accordingly, the above acquisition accounting may be subject to change.

- c. On June 30, 2016, Spartan acquired certain interests in undeveloped land and producing petroleum and natural gas properties for cash consideration of \$62.3 million. The consolidated statements of comprehensive income (loss) include the results of operations for the period following the close of the transaction on June 30, 2016. Spartan's net loss for the nine months ended September 30, 2016 includes \$7.0 million of oil and gas sales and \$4.5 million of net operating income (oil and gas sales, less royalties, less operating and transportation costs) generated from the acquired assets since the acquisition date. If the assets had been acquired on January 1, 2016, an additional \$12.3 million of oil and gas sales and \$2.8 million of net operating income would have been included in the consolidated statements of comprehensive income (loss) for the nine months ended September 30, 2016. Transaction costs in the amount of \$0.2 million were incurred by Spartan and recorded to the consolidated statements of comprehensive income (loss). The additional oil and gas sales and net income are estimates and may not be representative of the results had the acquisitions actually occurred on January 1, 2016.

The acquisition was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at fair value.

The values assigned to the acquired assets were as follows:

Exploration and evaluation assets	\$	3,530
Properties and equipment		77,776
Decommissioning liabilities		(19,018)
	\$	62,288
Paid by:		
Cash	\$	62,288

The accounting for this acquisition will be finalized after all actual results have been obtained and the final fair values of the assets and liabilities have been determined. Accordingly, the above acquisition accounting may be subject to change.

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Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2016

(Unaudited – dollar amounts in thousands of Canadian, except as noted)

- d. On August 3, 2016, Spartan acquired certain interests in undeveloped land and producing petroleum and natural gas properties for cash consideration of \$23.5 million. The consolidated statements of comprehensive income (loss) include the results of operations for the period following the close of the transaction on August 3, 2016. Spartan's net loss for the nine months ended September 30, 2016 includes \$1.5 million of oil and gas sales and \$0.7 million of net operating income (oil and gas sales, less royalties, less operating and transportation costs) generated from the acquired assets since the acquisition date. If the assets had been acquired on January 1, 2016, an additional \$4.6 million of oil and gas sales and \$2.0 million of net operating income would have been included in the consolidated statements of comprehensive income (loss) for the nine months ended September 30, 2016. Transaction costs in the amount of \$0.1 million were incurred by Spartan and recorded to the consolidated statements of comprehensive income (loss). The additional oil and gas sales and net income are estimates and may not be representative of the results had the acquisitions actually occurred on January 1, 2016.

The acquisition was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at fair value. As a result of recording the net assets acquired and liabilities assumed at their fair values, a gain on acquisition of \$12.6 million was recognized in net loss for the nine months ended September 30, 2016. The gain on acquisition was in part attributable to acquiring resource properties in a distressed transaction. In addition, certain tax attributes were acquired as part of the acquisition and were recorded at their undiscounted amounts. Recording the acquired tax attributes at their fair value also contributed to the gain on acquisition recorded.

The values assigned to the acquired assets were as follows:

Exploration and evaluation assets	\$	1,078
Properties and equipment		27,386
Deferred income tax asset		10,601
Decommissioning liabilities		(3,048)
	\$	36,017
Paid by:		
Cash	\$	23,463
Gain on acquisition	\$	12,554

The accounting for this acquisition will be finalized after all actual results have been obtained and the final fair values of the assets and liabilities have been determined. Accordingly, the above acquisition accounting may be subject to change.

Spartan Energy Corp.

Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2016

(Unaudited – dollar amounts in thousands of Canadian, except as noted)

4 Exploration and evaluation assets

	Nine months Ended September 30, 2016	Year Ended December 31, 2015
Balance, beginning of period	\$ 24,006	\$ 33,237
Acquisitions - corporate	1,605	-
Acquisitions – resource properties	6,486	-
Additions	1,788	1,575
Lease expiries	(4,477)	(10,389)
Transfer to properties and equipment	(299)	(532)
Change in decommissioning liabilities	9	115
Balance, end of period	\$ 29,118	\$ 24,006

Exploration and evaluation (“E&E”) assets consist of Spartan’s undeveloped land and exploration projects which are pending the determination of proved or probable reserves. Additions represent Spartan’s share of costs incurred on E&E assets during the period. For the nine months ended September 30, 2016, the Company recognized a charge to earnings of \$4.5 million for the cost of undeveloped land expiries during the period (September 30, 2015 - \$7.9 million).

Spartan Energy Corp.

Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2016

(Unaudited – dollar amounts in thousands of Canadian, except as noted)

5 Properties and equipment

Cost:	Petroleum and natural gas assets	Office equipment	Total
Balance, as at December 31, 2014	\$ 930,669	\$ 1,192	\$ 931,861
Acquisitions – resource properties	1,863	-	1,863
Additions	66,491	-	66,491
Transfer from E&E assets	532	-	532
Change in decommissioning liabilities	3,736	-	3,736
Balance as at December 31, 2015	\$ 1,003,291	\$ 1,192	\$ 1,004,483
Accumulated depletion and depreciation:			
Balance, as at December 31, 2014	\$ 89,523	\$ 434	\$ 89,957
Depletion on resource assets	95,621	-	95,621
Impairment of resource assets	58,000	-	58,000
Depreciation on office assets	-	119	119
Balance as at December 31, 2015	\$ 243,144	\$ 553	\$ 243,697
Properties and equipment as at December 31, 2015	\$ 760,147	\$ 639	\$ 760,786
Cost:			
Balance, as at December 31, 2015	\$ 1,003,291	\$ 1,192	\$ 1,004,483
Acquisitions - corporate	53,248	-	53,248
Acquisitions - resource properties	113,222	-	113,222
Additions – petroleum and natural gas assets	43,736	-	43,736
Additions – assets under finance lease	32,500	-	32,500
Transfer from E&E assets	299	-	299
Change in decommissioning liabilities	66,707	-	66,707
Balance as at September 30, 2016	\$ 1,313,003	\$ 1,192	\$ 1,314,195
Accumulated depletion and depreciation:			
Balance, as at December 31, 2015	\$ 243,144	\$ 553	\$ 243,697
Depletion on resource assets	70,274	-	70,274
Depreciation on office assets	-	59	59
Balance as at September 30, 2016	\$ 313,418	\$ 612	\$ 314,030
Properties and equipment as at September 30, 2016	\$ 999,585	\$ 580	\$ 1,000,165

For the nine months ended September 30, 2016, approximately \$1.9 million of directly attributable general and administrative costs and \$0.8 million of directly attributable stock-based compensation were capitalized to properties and equipment (September 30, 2015 – \$1.1 and \$1.2 million respectively).

At September 30, 2016, future development costs of \$502.6 million associated with proved plus probable undeveloped reserves are included in costs subject to depletion (December 31, 2015 – \$341.7 million).

Spartan Energy Corp.

Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2016

(Unaudited – dollar amounts in thousands of Canadian, except as noted)

6 Bank debt

As at September 30, 2016, the Company had available a \$150 million (December 31, 2015 - \$150 million) syndicated revolving demand credit facility with six Canadian chartered banks. Spartan completed its semi-annual borrowing base review on October 27, 2016 with the syndicate of lenders reconfirming the credit facility at \$150 million. The credit facility bears interest on a grid system which ranges from bank prime plus 1.0 percent to bank prime plus 4.5 percent depending on the Company's debt to EBITDA ratio ranging from less than or equal to 1:1 to greater 3.5:1. The amount of the facility is subject to a borrowing base redetermination test performed at least annually, primarily based on reserves, using commodity prices estimated by the lender, as well as other factors. If a borrowing base shortfall is identified during a borrowing base redetermination, the portion drawn above the borrowing base is required to be repaid within 60 days. As at September 30, 2016 the Company was in compliance with all of its covenants.

The credit facility provides that advances may be made by way of direct prime rate loans, USBR loans, LIBOR Loans, bankers' acceptances, letters of credit or letters of guarantee. The facility is secured by a \$1.0 billion debenture and a general security agreement over all the petroleum and natural gas assets of the Company. As at September 30, 2016 the Company had \$48.3 million drawn on the facility, excluding the letter of guarantee discussed below. The amount drawn on the credit facility is considered a current liability on the Company's Statement of Financial position due to the lenders' ability to demand repayment within 60 days on any portion of the credit facility drawn above a newly determined borrowing base as a result of a borrowing base redetermination test.

As at September 30, 2016, the Company had a letter of guarantee outstanding in the amount of \$2.4 million against the credit facility.

The next borrowing base review is scheduled to occur on or before May 26, 2017.

7 Finance lease obligations

As part of the acquisition of Wyatt (see note 3b), Spartan inherited a contract whereby the Company is committed to deliver minimum gas volumes to a third party gas processing facility constructed at the Alameda oil battery for a period of eight years. The facility was commissioned for operation in August 2016. The contract was structured whereby the minimum committed volumes, and the fixed capital component of the gas processing fee paid to the builder and operator of the facility on those committed volumes, ensures the third party a return on capital over the eight year term of the agreement. The contract is considered a finance lease under IAS 17 and is recognized as a liability on the Consolidated Statements of Financial Position. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The terms of the contract provide Spartan with the right to obtain substantially all of the economic benefits from the use of the plant over the length of the contract. The finance lease bears interest at an implicit rate of 5.71 percent.

	As at September 30, 2016	Year Ended December 31, 2015
Current liability	4,369	-
Non-current liability	27,948	-
Finance lease obligations	\$ 32,317	\$ -

Spartan Energy Corp.

Notes to the Interim Consolidated Financial Statements

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(Unaudited – dollar amounts in thousands of Canadian, except as noted)

Minimum lease payments under the Company's finance lease obligations are as follows:

<u>Year</u>	<u>As at September 30, 2016</u>
2016	1,498
2017	5,961
2018	5,961
2019	5,961
2020	5,961
Thereafter	13,588
	\$ 38,930

8 Decommissioning liabilities

The Company's future decommissioning liabilities were estimated by management based on the Company's working interest in its wells and facilities, estimated costs to remediate, reclaim and abandon the wells and facilities and estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the decommissioning liabilities based on undiscounted total future liabilities of \$319.8 million (December 31, 2015 – \$154.6 million). These payments are expected to be incurred over the next 5 to 30 years. At September 30, 2016, a risk-free rate of 1.66 percent (December 31, 2015 – 2.15 percent) and an inflation rate of 1.5 percent (December 31, 2015 – 1.5 percent) were used to calculate the net present value of the decommissioning provisions.

	<u>As at</u>	<u>Year Ended</u>
	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Decommissioning liabilities, beginning of period	\$ 110,910	\$ 104,713
Acquired - corporate	2,013	-
Acquired – resource properties	22,535	109
Liabilities incurred	4,371	3,588
Accretion expense	1,976	2,346
Revaluation of liabilities acquired ⁽¹⁾	54,644	-
Change in estimates	7,690	154
Decommissioning liabilities, end of period	\$ 204,139	\$ 110,910

(1) Revaluation of liabilities acquired is the revaluation of acquired decommissioning liabilities at the end of the reporting period using the risk free discount rate. At the date of acquisition, acquired decommissioning liabilities are recorded at fair value.

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9 Share capital

Authorized

Unlimited number of voting common shares.

Unlimited number of preferred shares, issuable in series.

a) Issued and outstanding

	Number of shares	Amount (\$ thousands)
Common Shares		
Balance as at December 31, 2014	264,260,327	640,079
Issued pursuant to resource property acquisitions	89,271	216
Issued for cash	735,294	1,669
Exercise of warrants	8,333	9
Adjustment to share issue costs tax component	-	88
Less share issue costs (net of tax of \$4)	-	(9)
Balance as at December 31, 2015	265,093,225	642,052
Issued for cash	65,353,375	177,071
Issued for acquisitions – corporate (note 3)	11,416,035	36,417
Issued for acquisitions - resource properties (note 3)	2,323,767	7,297
Exercise of stock options	289,001	1,287
Exercise of RSUs	397,685	1,336
Less share issue costs (net of tax of \$2,187)	-	(5,910)
Balance as at September 30, 2016	344,873,088	859,550

Shares issued for cash

On August 24, 2016, the Company closed a bought-deal equity financing of 25,415,000 common shares at a price of \$3.18 per common share for gross proceeds of approximately \$80.8 million.

On March 16, 2016, the Company closed a bought-deal equity financing of 39,938,375 common shares at a price of \$2.41 per common share for gross proceeds of approximately \$96.3 million.

On December 22, 2015, the Company issued 735,294 common shares on a “flow-through” basis with respect to Canadian exploration expenditures at a price of \$2.72 per flow-through share. Proceeds of the offering are to be used for qualifying exploration expenditures during 2016.

Shares issued pursuant to corporate acquisitions

On June 23, 2016, Spartan acquired all of the issued and outstanding shares of Wyatt Oil and Gas Inc. in exchange for 11,416,035 common shares of Spartan.

Shares issued pursuant to resource property acquisitions

On May 30, 2016, Spartan acquired certain interests in undeveloped land and producing petroleum and natural gas properties for total consideration of \$9.5 million including the issuance of 2,323,767 common shares of Spartan.

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Basic and diluted net loss per share is calculated as follows:

	Nine months ended September 30,	
	2016	2015
Weighted average outstanding common shares⁽¹⁾		
Basic and Diluted	329,938,297	264,277,846

(1) Per share information is calculated on the basis of the weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using a method which assumes that any proceeds received by the Company upon the exercise of in-the-money stock options or warrants plus unamortized share-based compensation expense would be used to buy back common shares at the average market price for the period. The calculation of the diluted net loss per share for the nine months ended September 30, 2016 and September 30, 2015 excludes the effect of all stock options, restricted share units and warrants as the impact would be anti-dilutive due to the net loss realized.

Warrants

Spartan has the following warrants outstanding:

	Number of warrants	Weighted Average Exercise price	Amount (\$ thousands)
Balance at December 31, 2014	31,254,582	\$ 0.80	13,346
Warrants exercised	(8,333)	0.80	(3)
Balance at December 31, 2015	31,246,249	\$ 0.80	13,343
Balance at September 30, 2016⁽¹⁾	31,246,249	\$ 0.80	13,343

(1) As at September 30, 2016 all warrants are vested and exercisable.

10 Stock-based compensation

The Company has a stock option plan (the “Plan”) for its officers, directors, employees and consultants. Under the Plan, the Company may grant options for up to 10% of the outstanding common shares. The term and vesting period of the options granted are determined at the discretion of the Board of Directors. The options granted have an exercise price based on the trailing 5-day volume weighted average price of the Company’s stock and the Plan provides that an option can have a maximum term of five years.

Options outstanding at September 30, 2016 are presented below. As at September 30, 2016, 6,224,667 of the options are vested and exercisable at a weighted average exercise price of \$3.00 per common share.

	Number of Options	Remaining Life (years)	Weighted Average Exercise Price
Balance, December 31, 2014	9,315,000	4.26	\$ 3.10
Issued	3,675,000	4.24	2.69
Forfeited	(890,000)	(3.41)	(3.28)
Balance, December 31, 2015	12,100,000	3.55	\$ 2.96
Exercised ⁽¹⁾	(289,001)	(2.74)	(2.81)
Forfeited	(606,999)	(3.05)	(3.34)
Balance, September 30, 2016	11,204,000	2.79	\$ 2.95

(1) The weighted average price of the Company’s common shares on the 2016 exercise dates was \$3.16 per common share.

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Spartan uses the Black-Scholes option pricing model to calculate the estimated fair value of the stock options issued during the period. There were no stock options granted during the nine month period ended September 30, 2016.

For the nine months ended September 30, 2016, approximately \$1.7 million in stock-based compensation related to stock options was recognized as an expense and \$0.2 million in stock-based compensation related to stock options was capitalized to properties and equipment (September 30, 2015 – \$5.3 million and \$1.2 million respectively).

On June 17, 2016, the Company adopted a restricted share unit plan (the “RSU Plan”) for its officers, directors, employees and consultants. Under the Plan, the Company may grant restricted share units (“RSUs”) for up to 5% of the outstanding common shares. Each RSU entitles the holder thereof upon settlement to receive one common share of Spartan in accordance with the RSU Plan. The RSUs vest on such terms as specified by the Board of Directors or the compensation committee of the Board of Directors, provided that if no alternative vesting terms are specified, the RSUs vest one-third on the first, second and third anniversary of the date of grant.

As at September 30, 2016 there were 1,109,215 RSUs outstanding, none of which were vested and exercisable. The Company granted 1,506,900 RSUs in the third quarter of 2016, of which 397,685 RSUs vested immediately and were exercised.

	Number of Restricted Share Units
Balance, December 31, 2015	-
Granted	1,506,900
Exercised ⁽¹⁾	(397,685)
Balance, September 30, 2016	1,109,215

(1) The price of the Company’s common shares on the July 5, 2016 exercise date was \$3.36 per common share.

RSUs are measured at fair value at the date of grant determined in reference to the Company’s share price on the grant date. The resulting stock-based compensation expense is recognized on a graded vesting basis over the vesting period.

For the nine months ended September 30, 2016, approximately \$1.7 million in stock-based compensation related to RSUs was recognized as an expense and \$0.6 million in stock-based compensation related to RSUs was capitalized to properties and equipment (September 30, 2015 – \$nil and \$nil respectively).

11 Flow through premium liability

On December 22, 2015, the Company issued 735,294 common shares on a “flow-through” basis with respect to Canadian exploration expenditures at a price of \$2.72 per flow-through share. Spartan recorded an initial premium liability of \$0.3 million based on the difference between the issue price of the flow-through shares and the fair value of Spartan’s common shares on the date of issuance. As qualifying expenditures are incurred, the premium liability is reversed and a deferred income tax liability is recorded. The difference between the initial premium liability and the deferred tax liability created is recorded as deferred income tax expense. As at September 30, 2016, the flow through share premium liability was \$0.1 million.

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12 Income taxes

The income tax provision is calculated by applying federal and provincial statutory tax rates to pre-tax income with adjustments as set out in the following table:

Nine months ended September 30	2016	2015
Loss before income taxes	\$ (24,334)	\$ (71,595)
Combined federal and provincial income tax rate	27.00%	26.63%
Computed income tax (recovery)	(6,570)	(19,066)
Tax effects of:		
Stock-based compensation	925	1,409
Change in tax rate	-	(112)
Flow through shares	138	-
Gain on acquisition	(3,390)	-
Change in estimates and other	-	(2,168)
Deferred income tax recovery for the period	\$ (8,897)	\$ (19,937)

As at September 30, 2016 the Corporation had approximately \$1.1 billion of tax pools and losses available to reduce future taxable income (December 31, 2015 - \$758 million).

13 Supplemental cash flow information

Changes in non-cash working capital	Nine months ended September 30, 2016	Nine months ended September 30 2015
Change in trade receivables	\$ (7,559)	\$ 7,757
Change in prepaid expenses and deposits	(4,022)	(801)
Change in trade and other liabilities	11,451	(14,154)
	\$ (130)	\$ (7,198)
Relating to:		
Corporate acquisitions	\$ 3,424	-
Operating activities	(23,628)	3,115
Investing activities	20,074	(10,313)
	\$ (130)	\$ (7,198)

14 Financial instruments & Risk management

The Company's financial instruments recognized on the consolidated statements of financial position consist of cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, trade and other liabilities, derivative contracts, finance lease obligations and the Company's bank debt.

Spartan calculates the fair value of these instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs,

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including quoted forward rates for interest rate, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, trade and other liabilities and the Company's bank debt approximate fair value due to the short-term nature of those instruments or the indexed rate of interest on the bank debt.

For the purposes of determining whether impairment of the Company's property, plant and equipment has occurred, and the extent of any impairment or its reversal, management exercises their judgment in estimating future cash flows for the recoverable amount, being the higher of fair value less costs of disposal and value in use. These key judgments include estimates about recoverable reserves, forecast benchmark commodity prices, royalties, operating and transportation costs, capital costs and discount rates. The fair value less costs of disposal and value in use estimates are categorized as Level 3.

Spartan's risk management policies are established to identify and analyze the risks faced by the Company, set appropriate limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are consistent with those discussed in note 13 of the Company's audited consolidated financial statements for the year ended December 31, 2015.

Derivative contracts

At September 30, 2016, Spartan had the following commodity price contracts outstanding:

Commodity	Period	Contract ⁽¹⁾	Quantity	Bought Put ⁽²⁾	Sold Call ⁽²⁾
Crude Oil	February 1 – December 31, 2016	Costless Collar	200 bbls/d	USD \$30.00/bbl	USD \$42.80/bbl

(1) Contract acquired with the corporate acquisition of Wyatt.

(2) NYMEX WTI monthly average price.

The following table summarizes the realized and unrealized gains and losses on the Company's financial derivative contracts for the three and nine months ended September 30, 2016 and 2015.

	Nine months ended September 30,	
(\$ thousands)	2016	2015
Realized loss on derivative contracts	(62)	-
Unrealized gain on derivative contracts	265	-
Gain on derivative contracts	203	-

The fair value of the Company's derivative contracts was a mark to market liability of \$0.2 million at September 30, 2016 (December 31, 2015 - \$nil).

Capital Management

The Corporation's objective when managing capital is to maintain a capital structure which allows the Company to execute its growth strategy through strategic acquisitions and expenditures on exploration and development activities, while maintaining a strong statement of financial position. The Company evaluates its ability to carry on business as a going concern on a quarterly basis. The Company considers its capital structure to include share capital and net debt (defined as bank debt plus trade and other liabilities plus finance lease obligations less current assets). Spartan manages its capital structure and

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makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. In order to maintain or adjust the capital structure, the Company may adjust capital spending, issue new shares, issue new debt or repay existing debt to manage current and projected debt levels.

Spartan manages and monitors its capital structure and short-term financing requirements using the ratio of net debt to funds flow from operations. Funds flow from operations is calculated based on cash flows from operating activities before changes in non-cash working capital, transaction costs from acquisitions and decommissioning expenditures incurred. This metric is used to monitor the Company's overall debt position and monitor the strength of the Company's statement of financial position.

The Company is not subject to any externally imposed restrictions on capital.

15 Commitments

As at September 30, 2016 Spartan was committed to future minimum payments as follows:

	2016	2017	2018	2019	2020	Thereafter	Total
Operating lease – office ⁽¹⁾	438	1,753	292	-	-	-	\$ 2,483
Pipeline transportation ^(2,3)	305	1,310	1,453	1,572	1,310	-	\$ 5,950
Gas processing ^(2,4)	1,498	5,961	5,961	5,961	5,961	13,588	\$ 38,930
	2,241	9,024	7,706	7,553	7,271	13,588	47,363

(1) Includes operating costs.

(2) Includes new commitments assumed as part of the acquisition of Wyatt Oil and Gas Inc. (note 3b).

(3) Represents a pipeline transportation tariff on minimum oil volumes delivered from the Alameda field to the main Southeast Saskatchewan trunkline. The transportation tariff is deducted from oil price when sold and included in oil sales. Costs related to under-delivered volumes are included in operating and transportation costs.

(4) Represents the capital component of the gas processing fee on minimum gas volumes to be delivered to a gas processing facility constructed at the Alameda oil battery. The facility was commissioned for operation in August 2016. Sales from natural gas, NGLs and NGLs that can be blended with produced oil and sold as oil, are recognized in revenue. The contract is considered a Finance Lease under IAS 17 and is recognized as a liability on the Consolidated Statements of Financial Position (see note 7).

On December 22, 2015, the Company issued 735,294 common shares on a "flow-through" basis with respect to Canadian exploration expenditures at a price of \$2.72 per flow-through share. As at September 30, 2016, the Company had incurred \$1.3 million of this capital commitment. The Company is committed to incurring the remaining \$0.7 million on qualified exploration expenditures by December 31, 2016.