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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Spartan Energy Corp. ("Spartan" or the "Company") was prepared on, and is dated as at, November 8, 2016 and is management's assessment of the Company's financial and operating results for the quarter ended September 30, 2016. This MD&A should be read in conjunction with the interim consolidated financial statements and related notes thereto of the Company for the quarter ended September 30, 2016 and the audited consolidated financial statements and related notes thereto for year ended December 31, 2015. All financial measures are expressed in Canadian dollars unless otherwise indicated. The interim consolidated financial statements were prepared under International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board, which is within Part 1 of the Canadian Institute of Chartered Accountants handbook, which itself is within the framework of International Financial Reporting Standards (IFRS). The results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for any future period, or for the fiscal year ended December 31, 2016. Additional information on the financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in reports, including the Company's Annual Information Form, on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

### REPORTING ENTITY

Spartan Energy Corp. ("Spartan" or the "Company") is an Alberta incorporated 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. The common shares of the Corporation are listed on the Toronto Stock Exchange under the symbol "SPE".

### BASIS OF PRESENTATION

The interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). For a summary of the Company's detailed accounting policies, refer to note 2 of the Company's December 31, 2015 consolidated financial statements. This MD&A compares the results of the three months ended September 30, 2016 ("Q3 2016") to the three months ended September 30, 2015 ("Q3 2015") as well as the nine months ended September 30, 2016 to the nine months ended September 30, 2015. The terms "third quarter of 2016" and "same period of 2015" or similar terms are used throughout this document and refer to the three month periods ended September 30, 2016 and 2015, respectively.

### READER ADVISORIES

***BOE Disclosure***

*The term barrels of oil equivalent ("BOE") may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel (6mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of* *oil.*

***Forward Looking Statements***

*Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A may include, but is not limited to, planned drilling and completion activities, future production levels and the completion of asset acquisitions.*

*The forward-looking statements contained in this MD&A are based on certain key expectations and assumptions made by Spartan, including expectations and assumptions concerning the success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Spartan's properties, the successful application of drilling, completion and seismic technology, prevailing weather and break-up conditions, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the availability of capital, labour and services, the creditworthiness of industry partners and the satisfaction of all conditions to the closing of the asset acquisitions.*

*Although Spartan believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Spartan can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in Spartan's Annual Information Form for the year ended December 31, 2015.*

*Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. Although Spartan believes that the expectations reflected in its forward looking information are reasonable, undue reliance should not be placed on forward-looking information because Spartan can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A, assumptions have been made regarding and are implicit in, among other things, the timely receipt of any required regulatory approvals (including Court and shareholder approvals) and the satisfaction of all conditions to the completion of the transaction. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.*

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

**NON-IFRS MEASURES**

Certain financial measures referred to in this MD&A, such as funds flow from operations, funds flow from operations per share and net debt are not prescribed by IFRS. Funds flow from operations is calculated based on cash flows from operating activities before changes in non-cash working capital, transaction costs and decommissioning obligation expenditures incurred. Funds flow from operations per share is calculated using weighted average shares outstanding consistent with the calculation of net income (loss) per share. Spartan uses funds flow from operations to analyze operating performance and leverage, and considers funds flow from operations to be a key measure as it demonstrates the Company’s ability to generate cash necessary to fund future capital investments and repay debt. Spartan’s determination of funds flow from operations, on an absolute and per share basis, may not be comparable to that reported by other companies.

The following table reconciles funds flow from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| Cash flow from operating activities | **13,594** | 12,812 | 6 | **19,432** | 53,235 | (63) |
| Transaction costs | **166** | - | n/a | **731** | 2 | 36,450 |
| Changes in non-cash working capital | **5,162** | 1,529 | 238 | **23,628** | (3,115) | 859 |
| **Funds flow from operations** | **18,922** | 14,341 | 32 | **43,791** | 50,122 | (13) |

Net debt is calculated as bank debt plus trade and other liabilities plus finance lease obligations less current assets. The following table reconciles bank debt (an IFRS measure) to net debt (a non-IFRS measure):

| ($ thousands) | **September 30, 2016** | December 31, 2015 |
|---|---|---|
| Bank debt | **48,272** | 85,516 |
| Trade and other liabilities | **29,315** | 17,864 |
| Finance lease obligations | **32,317** | - |
| Current assets | **(28,633)** | (17,052) |
| **Net Debt** | **81,271** | 86,328 |

This MD&A also contains other industry benchmarks and terms, including total market capitalization (defined as net debt plus total outstanding common shares multiplied by the period end market price per share) and operating netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues, plus/minus realized derivative contracts, less royalties and less operating and transportation costs, which are not recognized measures under IFRS. Management believes that in addition to net income (loss) and cash flow from (used in) operating activities, funds flow from operations, net debt, total market capitalization and operating netbacks are useful supplemental measures as they provide an indication of Spartan's operating performance, leverage and liquidity. Investors should be cautioned, however, that these measures should not be construed as an alternative to both net income (loss) and cash flow from (used in) operating activities, which are determined in accordance with IFRS, as indicators of Spartan's performance.

**DISCLOSURE CONTROLS AND PROCEDURES**

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and the CFO have evaluated the effectiveness of Spartan's disclosure controls and procedures as at September 30, 2016 and have concluded that such disclosure controls and procedures are effective.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and the CFO have evaluated the effectiveness of Spartan's internal controls over financial reporting as at December 31, 2015 and have concluded that such internal controls over financial reporting are effective. There were no material changes to the Company's internal controls over financial reporting during the interim period from January 1, 2016 to September 30, 2016.

It should be noted that while Spartan's CEO and CFO believe that the Company's internal controls and procedures provide a reasonable level of assurance and are effective, they do not expect that these controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that its objectives are met. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

**RESULTS OF OPERATIONS**

**Q3 2016 Highlights:**

Spartan's highlights for the third quarter ended September 30, 2016 include:

- Achieved record average production of 12,429 boe/d (91% oil and liquids), representing a 55% percent increase over the third quarter of 2015 and a 37% increase over the second quarter of 2016. Spartan exceeded its year-end production target of 12,500 boe/d prior to the end of the third quarter.
- Completed the acquisition of light oil assets in southeast Saskatchewan, producing approximately 450 boe/d, for a cash purchase price of approximately $24 million. To date in 2016, Spartan has completed four consolidating acquisitions in our core southeast Saskatchewan operating area, representing approximately 3,430 boe/d of production, for an aggregate purchase price of $172.2 million.
- Completed 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.
- Drilled 26 (22.4 net) development wells in the quarter and brought 21 (19.2 net) wells on production.
- Continued to reduce drilling costs, with drill, complete and equip ("DC&E") costs for single leg open-hole horizontal wells drilled after the first quarter averaging approximately $600,000.
- Reduced net general and administrative ("G&A") costs to $1.63 per boe in the third quarter, a reduction of 27% from the second quarter of 2016 and 16% from the third quarter of 2015.
- Realized an operating netback of $19.05 per boe, resulting in quarterly funds flow from operations of $18.9 million ($0.06 per basic share and $0.05 per diluted share).

**Production**

For the three month period ended September 30, 2016, Spartan achieved average total production of 12,429 boe/d compared to 8,042 boe/d for the same period in 2015, a 55 percent increase. Average production for the nine months ended September 30, 2016 of 10,403 boe/d was 19 percent higher than production for the nine months ended September 30, 2015 of 8,712 boe/d. Spartan successfully completed four acquisitions in the second and third quarters of 2016, adding approximately 3,430 boe/d of production as at the closing dates of each acquisition. The acquisitions, combined with the Company's successful 2015 and 2016 drilling programs, have resulted in the increase in production for the three and nine months ended 2016 compared to the same periods in the prior year. Average production for the three months ended September 30, 2016 of 12,429 boe/d was 37 percent higher than production for the three months ended June 30, 2016 of 9,080 boe/d.

The acquisition of Wyatt Oil and Gas Inc. ("Wyatt") in the second quarter of 2016 resulted in additional natural gas and NGLs production. The Company also drilled fracture stimulated Midale wells in the Pinto area of southeast Saskatchewan in the first quarter of 2016 which, along with the Wyatt acquisition, has increased the natural gas and NGL weighting of the Company's total production.

| | **For the three months ended September 30,** | | | **For the nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | % change | **2016** | 2015 | % change |
| Crude Oil (bbls/d) | **10,733** | 7,382 | 45 | **9,161** | 8,038 | 14 |
| Natural Gas (mcf/d) | **6,453** | 2,182 | 196 | **4,669** | 2,810 | 66 |
| Liquids (bbls/d) | **620** | 296 | 109 | **464** | 206 | 125 |
| **Total (boe/d)** | **12,429** | 8,042 | 55 | **10,403** | 8,712 | 19 |

**Oil and Gas Sales**

Oil and gas sales for the three month period ended September 30, 2016 increased 44 percent to $50.5 million from $35.1 million for the three month period ended September 30, 2015. For the nine months ended September 30, 2016, oil and gas sales decreased by 2 percent to $114.8 million from $117.6 million for the same period in the prior year.

The increase in oil and gas sales for the three months ended September 30, 2016 was caused by a 55 percent increase in production volumes from Q3 2015 to Q3 2016. This increase was offset by a small decrease in the company's realized price for oil and gas sales due to a slight change in the Company's production mix and a decline in commodity prices compared to the same period of 2015. Oil and gas sales decreased by 2 percent for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 due to a decline in commodity prices. The Company's realized price for oil and gas sales for the nine months ended September 30, 2016 decreased by 19 percent compared to same period of 2015. The price decline was offset by a 19 percent increase in production volumes from the nine months ended September 30, 2015 to the nine months ended September 30, 2016.

Sales are impacted by production levels and volatility in commodity pricing. Production levels are impacted by decline rates and the Company's capital program and acquisitions. Commodity prices are affected by both domestic and international factors that are beyond the control of the Company.

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| ($ thousands, except per boe amounts) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| **Oil and gas sales by product:** | | | | | | |
| Light crude oil | **48,591** | 34,121 | 42 | **110,997** | 114,621 | (3) |
| Natural gas | **1,208** | 531 | 127 | **2,219** | 1,902 | 17 |
| Natural gas liquids | **735** | 415 | 77 | **1,529** | 1,038 | 47 |
| **Total oil and gas sales** | **50,534** | 35,068 | 44 | **114,745** | 117,562 | (2) |
| Total oil and gas sales ($/boe)[(1)] | **44.20** | 47.40 | (7) | **40.25** | 49.43 | (19) |

*(1) Prior to realized derivative contracts*

**Commodity Pricing**

All of Spartan's crude oil was sold into the spot market during the three and nine months ended September 30, 2016. Spartan's realized price for its light crude oil and NGLs in the third quarter of 2016 was $47.23/bbl compared to a realized price of $48.89/bbl for the same period of 2015. For the nine months ended September 30, 2016, the Company's realized price for its light crude oil and NGLs was $42.67/bbl compared to the September 30, 2015 year-to-date realized price of $51.39/bbl. The Company realized a gas price of $2.03/mcf for the three months ended September 30, 2016 compared to $2.65/mcf in the same period of 2015 and a realized price of $1.73/mcf for the nine months ended September 30, 2016 compared to $2.48/mcf for the same period of 2015.

Spartan's production is sold in Canada and is sensitive to commodity price variation and changes in the Canada/U.S. currency exchange rate as well as quality price differentials. Spartan's price realizations are influenced by changes to various crude benchmarks, including, but not limited to, Canadian LSB at Cromer, Manitoba. Commodity prices are affected by both domestic and international factors that are beyond the control of the Company. In addition, prices received for crude oil and NGLs are determined by the quality of the crude compared to a benchmark price for light oils. The decrease in Spartan's realized price is consistent with the decrease in the Canadian LSB at Cromer, Manitoba benchmark. The 2 percent decrease in the benchmark from Q3 2015 to Q3 2016 is consistent with the 3 percent decrease in the Company's average realized price for light crude oil and NGLs over the same period.

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | % change | **2016** | 2015 | % change |
| **Average Benchmark Prices** | | | | | | |
| Crude oil – WTI (US$ per bbl) | **44.94** | 46.43 | (3) | **41.33** | 51.00 | (19) |
| Crude oil – WTI (CDN$ per bbl) | **58.61** | 60.71 | (3) | **54.40** | 64.08 | (15) |
| Crude oil – Cromer LSB (35 API) ($ per bbl) | **53.69** | 54.21 | (2) | **48.39** | 56.86 | (15) |
| Natural gas – AECO-C Spot ($ per mcf) | **2.36** | 2.92 | (19) | **1.87** | 2.78 | (33) |
| Exchange rate – (US/CAD) | **0.77** | 0.76 | - | **0.76** | 0.79 | (4) |
| **Spartan's Average Realized Prices** | | | | | | |
| Crude oil and natural gas liquids ($ per bbl)(1) | **47.23** | 48.89 | (3) | **42.67** | 51.39 | (17) |
| Natural gas ($ per mcf)(1) | **2.03** | 2.65 | (23) | **1.73** | 2.48 | (30) |

*(1) Prior to realized derivative contracts*

**Royalties**

Royalty payments are made to the owners of the mineral rights on leases, which include provincial governments and freehold landowners, as well as to other third parties by way of contractual overriding royalties. Overriding royalties are generally paid to third parties where Spartan has entered into agreements to earn an interest in their mineral rights by investing capital in their property. Oil and gas sales generated in Saskatchewan are also subject to the Saskatchewan resource surcharge royalty. Wells drilled prior to October 1, 2002 are subject to a 3.0% surcharge on all oil and gas sales while wells drilled after September 30, 2002 are charged at a rate of 1.7% on all oil and gas sales. As Saskatchewan revenues vary, this cost is expected to fluctuate in direct correlation.

For the three months ended September 30, 2016, total royalties were $7.8 million compared to $5.7 million for the same period of 2015. The Company's average royalty rate for the three months ended September 30, 2016 was 15 percent of sales compared to 16 percent for the same period of 2015. The increase in royalties from the third quarter of 2015 to the third quarter of 2016 is consistent with the increase in oil and gas sales over the same period. For the nine months ended September 30, 2016, royalties were $17.2 million, or 15 percent of sales, as compared to $18.4 million, or 16 percent of sales, for the same period in 2015. The decrease in royalties for the nine months ended September 30, 2016 compared to the same periods of 2015 is consistent with the decrease in oil and gas sales over the same period.

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| ($ thousands, except per boe amounts) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| **Royalties** | **7,805** | 5,674 | 38 | **17,205** | 18,399 | (6) |
| $ per boe | **6.83** | 7.67 | (11) | **6.04** | 7.74 | (22) |
| % of oil and gas sales | **15** | 16 | (6) | **15** | 16 | (6) |

**Financial Derivative Instruments**

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.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| ($ thousands) | **2016** | 2015 | **2016** | 2015 |
| Realized loss on derivative contracts | (51) | - | (62) | - |
| Unrealized gain on derivative contracts | 228 | - | 265 | - |
| **Gain on derivative contracts** | **177** | - | **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).

**Operating & Transportation**

Operating and transportation costs totaled $20.9 million, or $18.28/boe, for the three months ended September 30, 2016 as compared to $12.9 million, or $17.44/boe, in the third quarter of 2015. For the nine months ended September 30, 2016, operating and transportation costs totaled $46.3 million, or $16.23/boe, compared to $41.6 million, or $17.49/boe, for the same period in the prior year.

Operating and transportation costs increased in the third quarter of 2016 due to the acquisition of higher operating cost properties and due to additional maintenance, well servicing and facility turnaround requirements in the quarter that, once completed, resulted in increased production levels.

Spartan had deferred well servicing projects and facility turnarounds to the second half of 2016 as commodity price weakness in the first quarter of 2016 rendered certain workover projects uneconomic and the spring break-up period in the second quarter of 2016 restricted lease access. As commodity prices improved in the third quarter, Spartan completed these projects and realized increased production levels as a result.

Operating and transportation costs also included significant maintenance expenditures and well servicing costs on the assets acquired by the Company in the second and third quarters of 2016. Insufficient maintenance capital had been allocated to the assets prior to Spartan's acquisition of these properties. These assets were considered non-core by their vendors and projects had been halted during their sale processes. Once the acquisitions closed, Spartan proactively identified a number of wells as workover candidates and completed several of these projects in the third quarter. These workovers increased operating and transportation costs in the third quarter but also contributed to an increase in the Company's base production. On the assets acquired from the Greater Corning-Manor acquisition, which closed on June 30 2016, Spartan added approximately 90 bbls/d of oil production as a result of workovers and reactivations completed in the third quarter of 2016. The Company is not expecting similar maintenance cost and workover requirements moving forward.

As part of the acquisition of Wyatt Oil and Gas Inc., Spartan assumed a commitment for minimum gas volumes to be delivered to a gas processing facility constructed at the Alameda oil battery. The facility was completed ahead of schedule and under budget and was commissioned for operations in August 2016. Spartan began incurring gas processing fees on the delivered gas volumes in September, which are included in operating and transportation costs. Sales from natural gas, NGLs and NGLs that can be blended with produced oil and sold as oil, will be recognized in revenue. Blending is expected to commence in the fourth quarter of 2016.

Spartan anticipates per barrel operating and transportation costs to decrease over the next two quarters as workover and maintenance activities return to normalized levels and our drilling program at Alameda increases gas volumes into the processing facility.

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| ($ thousands, except per boe amounts) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| **Operating and transportation costs** | **20,905** | 12,902 | 62 | **46,274** | 41,614 | 11 |
| Operating and transportation costs per boe ($) | **18.28** | 17.44 | 5 | **16.23** | 17.49 | (7) |

**General and Administrative Expenses**

During the third quarter of 2016, general and administrative expenses (G&A), net of capitalized and overhead recovery amounts, were $1.9 million, or $1.63/boe, as compared to the quarter ended September 30, 2015 where net G&A expenses were $1.4 million, or $1.93/boe. Gross G&A expenses, prior to the effects of capitalized and overhead recoveries amounts, were $3.9 million, or $3.44/boe, as compared to the quarter ended September 30, 2015 where gross G&A expenses were $3.0 million, or $4.01/boe. For the nine months ended September 30, 2016, G&A, net of capitalized and overhead recovery amounts was $5.5 million, or $1.92/boe, as compared to the September 30, 2015 amounts of $5.0 million, or $2.09/boe. Gross G&A expenses prior to the effects of capitalized and overhead recoveries amounts were $10.6 million, or $3.72/boe, for the nine months ended September 30, 2016 as compared to the same period of 2015 where gross G&A expenses were $9.5 million, or $4.00/boe.

Gross G&A expenses increased for both the three and nine months ended September 30, 2016 compared to the same periods in the prior year due to an increase in corporate overhead cost requirements necessary to support the Company's growth. G&A decreased on a per boe basis due to the additional production acquired from the Company's four acquisitions in 2016. Spartan acquired production in its core areas while incurring minimal incremental G&A.

| | **For the three months ended September 30,** | | | **For the nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands, except per boe amounts) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| Gross general and administrative expenses | **3,937** | 2,968 | 33 | **10,593** | 9,523 | 11 |
| Less - recoveries | **(1,389)** | (1,092) | 27 | **(3,213)** | (3,032) | 6 |
| Less - capitalized | **(680)** | (445) | 53 | **(1,915)** | (1,520) | 26 |
| **General and administrative expenses** | **1,868** | 1,431 | 31 | **5,465** | 4,971 | 10 |
| Net general and administrative expenses ($/boe) | **1.63** | 1.93 | (16) | **1.92** | 2.09 | (8) |
| Gross general and administrative expenses ($/boe) | **3.44** | 4.01 | (14) | **3.72** | 4.00 | (7) |

**Interest Expense**

Interest expense, net of interest income, for the three month period ended September 30, 2016 was $1.0 million compared to $0.7 million for the same period of 2015. Interest expense, net of interest income, for the nine months ended September 30, 2016 was $1.9 million compared to $2.5 million for the same period of 2015.

Interest expense was relatively unchanged from the third quarter of 2015 to the third quarter of 2016. The Company had a larger bank debt balance outstanding to begin the third quarter of 2016 when compared to the prior year due the assumption of debt from the Company's acquisitions in the second quarter of 2016. The Company completed a bought deal equity financing on August 24, 2016 and used a portion of the proceeds to repay debt and thereby lower the interest expense for the remainder of the quarter. The decrease in interest expense for the nine months ended September 30, 2016, compared to the same period in 2015, was due to the lower average bank debt outstanding throughout the first nine months of 2016 compared to the same period in 2015.

As part of the acquisition of Wyatt Oil and Gas Inc. on June 23, 2016, 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 eight year financial commitment was identified as a finance lease under IAS 17 - Leases. The finance lease obligation is presented as a current and non-current liability on the Statement of Financial Position (see note 7 of the Condensed Interim Consolidated Financial Statements). Interest expense is accrued on the outstanding principal.

| | **For the three months ended September 30,** | | | **For the nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands, except per boe amounts) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| **Interest expense** | **983** | 720 | 37 | **1,948** | 2,456 | (21) |
| Interest expense ($ per boe) | **0.86** | 0.97 | (11) | **0.68** | 1.03 | (34) |

**Depletion and Depreciation**

For the third quarter of 2016, depletion and depreciation expense was $25.2 million, or $22.06/boe, as compared to the quarter ended September 30, 2015 in which the expense was $22.2 million, or $30.03/boe. For the nine months ended September 30, 2016, depletion and depreciation expense was $70.3 million, or $24.67/boe, as compared to the 2015 expense of $72.8 million, or $30.62/boe.

The increase in depletion and depreciation expense for the three months ended September 30, 2016, compared to the same period in the prior year, is due the increase in costs subject to depletion due to the four acquisitions completed by the Company to date in 2016. The decrease in depletion and depreciation expense for the nine months ended September 30, 2016, compared to the same period in the prior year, is due to the impairment charges recorded against the Company's property and equipment in third and fourth quarters of 2015. The decrease in depletion and depreciation per boe for the three and nine months ended September 30, 2016 is due a reduction in depletion rate as a result of the reserve volumes acquired via the acquisitions completed to date in 2016.

| | **For the three months ended September 30,** | | | **For the nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands, except per boe amounts) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| **Total depletion and depreciation** | **25,226** | 22,215 | 14 | **70,333** | 72,834 | (3) |
| Depletion and depreciation ($/boe) | **22.06** | 30.03 | (27) | **24.67** | 30.62 | (19) |

**Income taxes**

As at September 30, 2016 the Company had approximately $1.1 billion of tax pools and losses available to reduce future taxable income.

| ($thousands of dollars) | **September 30, 2016** |
|---|---|
| COPGE | 441,837 |
| CDE | 187,575 |
| CEE | 22,896 |
| UCC | 113,486 |
| CEC | 621 |
| Share issue costs | 13,647 |
| Tax losses | 285,710 |
| **Total** | **1,065,772** |

**Funds Flow from Operations and Net Income (Loss)**

For the three months ended September 30, 2016, funds flow from operations increased by 32 percent to $18.9 million compared to $14.3 million during the same period of 2015. Basic and diluted funds flow from operations per share for the quarter were $0.06 per share and $0.05 per share respectively compared to $0.05 per basic and diluted share during the same period of 2015. Funds flow from operations increased in the third quarter of 2016, compared to the third quarter of 2015, due to an increase in average total production. Average total production was 12,429 boe/d in the third quarter of 2016 compared to 8,042 boe/d in the third quarter of 2015. The increase in production was offset by lower realized pricing due to the decline in commodity prices.

For the nine months ended September 30, 2016, funds flow from operations decreased by 13 percent to $43.8 million compared to $50.1 million during the same period of 2015. Basic and diluted funds flow from operations per share for the nine months ended September 30, 2016 were $0.14 per share and $0.13 per share respectively compared to $0.19 per basic and $0.17 per diluted share during the same period of 2015. The decrease in funds flow from operations for the nine months ended September 30, 2016, compared to the same period in the prior year, was caused by the decline in commodity prices and the resulting decrease in the Company's realized price for oil and gas sales. Despite higher production, the downturn in commodity prices resulted in lower oil and gas sales and lower funds flow from operations in the first nine months of 2016 compared to the same period in 2015.

The Company realized net income of $4.1 million in the third quarter of 2016 compared to a net loss of $33.4 million for the same period of 2015. The basic and diluted net income per share for the quarter was $0.01 compared to a net loss of $0.13 per basic and diluted share for the three months ended September 30, 2015. The Company realized a net loss of $15.4 million, or $0.05 per basic share and diluted share, for the nine months ended September 30, 2016 compared to a net loss of $51.7 million, or $0.20 per basic and diluted share, in the same period of 2015. Spartan recognized a $34.0 million impairment charge to its Properties and Equipment in the third quarter of 2015 which contributed to the $33.9 million net loss realized in the period. No impairment charges were recognized in the third quarter of 2016. Spartan recognized a gain of $12.6 million on its Midale acquisition, completed in the third quarter of 2016, as the purchase price paid was determined to be less than the recorded fair values of the net assets acquired and liabilities assumed. The non-cash accounting gain contributed to the net income realized in the third quarter.

| | **For the three months ended September 30,** | | | **For the nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| **Funds flow from operations** | **18,922** | 14,341 | 32 | **43,791** | 50,122 | (13) |
| Funds flow from operations per basic share | **0.06** | 0.05 | 20 | **0.14** | 0.19 | (26) |
| Funds flow from operations per diluted share | **0.05** | 0.05 | - | **0.13** | 0.17 | (24) |
| **Net income (loss)** | **4,102** | (33,388) | 112 | **(15,438)** | (51,658) | 70 |
| Net income (loss) per basic share and diluted | **0.01** | (0.13) | 108 | **(0.05)** | (0.20) | 75 |

The following table summarizes the netbacks on a per boe basis for the three and nine months ended September 30, 2016.

| | **For the three months ended September 30,** | | | **For the nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ per boe) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| Oil and gas sales price | **44.20** | 47.40 | (7) | **40.25** | 49.43 | (19) |
| Realized loss on derivative contracts | **(0.04)** | - | n/a | **(0.02)** | - | n/a |
| Net realized oil and gas sales price | **44.16** | 47.40 | (7) | **40.23** | 49.43 | (19) |
| Royalties | **(6.83)** | (7.67) | (11) | **(6.04)** | (7.74) | (22) |
| Operating and transportation costs | **(18.28)** | (17.44) | 5 | **(16.23)** | (17.49) | (7) |
| **Operating netback** | **19.05** | 22.29 | (15) | **17.96** | 24.20 | (26) |
| General and administrative expenses | **(1.63)** | (1.93) | (16) | **(1.92)** | (2.09) | (8) |
| Interest expense | **(0.86)** | (0.97) | (11) | **(0.68)** | (1.03) | (34) |
| **Corporate netback** | **16.56** | 19.39 | (15) | **15.36** | 21.08 | (27) |

**Summary of Quarterly Results**

Below is summarized quarterly information for the last eight quarters:

| **Quarterly Summaries**<br>($ thousands, except per boe and per share amounts) | **September 30, 2016** | June 30, 2016 | March 31, 2016 | December 31, 2015 |
|---|---|---|---|---|
| Production (boe/d) | **12,429** | 9,080 | 9,683 | 9,319 |
| Average realized price ($/boe) – excluding derivatives | **44.20** | 43.83 | 31.77 | 43.30 |
| Oil and gas sales | **50,534** | 36,217 | 27,994 | 37,124 |
| Net income (loss) | **4,102** | (6,659) | (12,881) | (26,120) |
| Earnings per share - basic | **0.01** | (0.02) | (0.05) | (0.10) |
| Earnings per share – diluted | **0.01** | (0.02) | (0.05) | (0.10) |
| Funds flow from operations | **18,922** | 16,265 | 8,605 | 16,166 |
| Funds Flow from operations per share - basic | **0.06** | 0.05 | 0.03 | 0.06 |
| Funds Flow from operations per share - diluted | **0.05** | 0.05 | 0.03 | 0.06 |

| **Quarterly Summaries**<br>($thousands of dollars, except per boe amounts) | September 30, 2015 | June 30, 2015 | March 31, 2015 | December 31, 2014 |
|---|---|---|---|---|
| Production (boe/d) | 8,042 | 8,710 | 9,402 | 8,844 |
| Average realized price ($/boe) – excluding derivatives | 47.40 | 56.56 | 44.52 | 65.98 |
| Oil and gas sales | 35,068 | 44,822 | 37,672 | 53,683 |
| Net income (loss) | (33,388) | (6,387) | (11,883) | 1,855 |
| Earnings per share - basic | (0.13) | (0.02) | (0.04) | 0.01 |
| Earnings per share – diluted | (0.13) | (0.02) | (0.04) | 0.01 |
| Funds flow from operations | 14,341 | 22,266 | 13,515 | 29,823 |
| Funds Flow from operations per share - basic | 0.05 | 0.08 | 0.05 | 0.11 |
| Funds Flow from operations per share - diluted | 0.05 | 0.08 | 0.05 | 0.10 |

The current Spartan management team recapitalized Alexander Energy Ltd. on December 10, 2013 and acquired Renegade Petroleum Ltd. on March 31, 2014. Since commencing operations after the recapitalization of Alexander Energy Ltd, Spartan's management team has significantly grown the Company's asset and production base through a combination of successful development drilling and accretive acquisitions. Spartan acquired Renegade Petroleum Ltd. on March 31, 2014, completed five additional resource property acquisitions in 2014 and has since completed three additional resource property acquisitions in 2016 along with the acquisition of Wyatt Oil and Gas Inc. on June 23, 2016. Spartan has amassed a significant land base in southeast Saskatchewan with an extensive inventory of drilling locations that position the Company for future growth.

Spartan grew production from the third quarter of 2014 to the first quarter of 2015. As commodity prices began to deteriorate, Spartan focused on balance sheet strength and cost saving initiatives while spending within funds flow from operations. Spartan continued to drill economic conventional Mississippian open-hole wells, primarily in the Queensdale and Winmore core areas of southeast Saskatchewan, and fracture stimulated Midale wells in the Pinto core area of southeast Saskatchewan to maintain production. Production stabilized between 8,700 boe/d and 9,700 boe/d in 2015 and the first six months of 2016 as the Company committed to spending within funds flow from operations. As a result of the production acquired from the four acquisitions completed in the second and third quarters of 2016, and the incremental production realized from workover and reactivation projects completed on those assets, and due to the success of new wells drilled by the Company in the third quarter of 2016, Spartan achieved record average total production of 12,429 boe/d in the third quarter of 2016.

The declining commodity price environment in the second half of 2014 continued through 2015 and the first nine months of 2016. The resulting decrease in the Company's realized price for oil and gas sales translated into lower quarterly oil and gas sales and funds flow from operations in 2015 compared to 2014 and lower oil and gas sales and funds flow from operations in the first and second quarters of 2016 compared to the same periods in 2015. This trend came to an end in the third quarter of 2016 as the Company realized increased oil and gas sales and funds flow from operations in the third quarter of 2016 compared to the third quarter of 2015 due to the significant increase in average total production volumes. Although the Company's realized price for oil and gas sales in the quarter continued to be lower than the price realized in the third quarter of the prior year, the increase in production volumes to 12,429 boe/d in the quarter resulted in a 44 percent increase in oil and gas sales and a 32 percent increase in funds flow from operations in the third quarter of 2016 compared to the third quarter of 2015.

Oil prices have recovered slightly from the lows of Q1 2016 when the WTI benchmark averaged USD $33.45/bbl. WTI averaged USD $45.59/bbl in the second quarter and USD $44.94/bbl in the third quarter of 2016. As a result, Spartan realized a 38 percent increase in its average oil and gas sales price from Q1 2016 to Q2 2016 which translated into a 29 percent increase in oil and gas sales and an 89 percent increase in funds flow from operations from the first quarter of 2016 to the second quarter of 2016. Consistent oil prices from the second quarter to the third quarter of 2016 resulted in Spartan realizing an increase in oil and gas sales and funds flow from operations in Q3 2016, compared to Q2 2016, due to the increase in average total production volumes. The increase in funds flow from operations from Q2 2016 to Q3 2016 due to rising oil and gas sales was partially offset by increased operating and transportation costs on both an absolute dollar and per barrel of oil equivalent basis.

Spartan's corporate strategy remains unchanged despite continued weakness in commodity prices. Through 2015 and the first three quarters of 2016, Spartan's focus has been preserving balance sheet flexibility by spending within funds flow from operations and taking advantage of acquisition opportunities afforded by the downturn in the commodity cycle. The Company has remained diligent through this time period, focusing on acquiring high quality oil assets at a price that will deliver long term value to its shareholders. The Company has been able to successfully close two bought-deal equity financings in 2016 and has used a portion of these net proceeds to finance acquisitions. The Company successfully closed the corporate acquisition of Wyatt Oil and Gas Inc. on June 23, 2016 and also successfully closed the Greater Corning-Manor and Winmore asset acquisitions in the second quarter of 2016. On August 3, 2016, the Company then successfully closed the Midale asset acquisition. The four acquisitions added approximately 3,430 boe/d of light oil production, 10.1 MMboe of proved developed producing reserves, 24.4 MMboe of Proved plus Probable reserves, 125,262 net acres of land and 314 net drilling locations.

At September 30, 2016, Spartan's net debt was $81.3 million. Excluding the Company's finance lease obligations, Spartan's net debt was approximately $49.0 million with available liquidity of approximately $101.0 million on the Company's $150 million credit facility. Spartan management continues to believe that the current economic environment lends itself to preserving capital to deploy on accretive acquisitions, and the Company intends to continue to preserve balance sheet strength by maintaining spending within funds flow from operations in 2016. Spartan will maintain flexibility in its capital program and adjust spending based on prevailing commodity prices, while continuing to seek out opportunities to add additional long term value through accretive acquisitions.

**Capital Expenditures**

The following table details the cash capital additions relating to the Company's property and equipment and exploration and evaluation assets for the three and nine months ended September 30, 2016 and 2015:

| | **For the three months ended September 30,** | | | **For the nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2016** | 2015 | % change | **2016** | 2015 | % change |
| Drilling & Completions | **13,401** | 14,395 | (7) | **28,261** | 30,323 | (7) |
| Equipment & Facilities | **5,786** | 4,185 | 38 | **12,464** | 15,853 | (21) |
| Land & Seismic | **913** | 351 | 160 | **2,126** | 1,240 | 71 |
| Other | **680** | 445 | 53 | **1,915** | 1,520 | 26 |
| **Total capital expenditures - excluding acquisitions** | **20,780** | 19,376 | 7 | **44,766** | 48,936 | (9) |
| Acquisitions | **23,470** | 1,035 | 2,168 | **87,923** | 1,549 | 5,576 |
| **Total capital expenditures - including acquisitions** | **44,250** | 20,411 | 117 | **132,689** | 50,485 | 163 |

Drilling and completions costs for the three months ended September 30, 2016 were $13.4 million compared to $14.4 million for the same period in 2015. For the nine months ended September 30, 2016, Spartan incurred $28.3 million in drilling and completions costs compared to $30.3 million for the nine months ended September 30, 2015.

Spartan drilled 26 (22.4 net) development wells in the third quarter of 2016 and brought 21 (19.2 net) wells on production by September 30, 2016. As at September 30, 2016, the Company had drilled 45 (38.1 net) development wells to date in 2016 and had brought 45 (38.7 net) wells on production. Spartan drilled 4 (3.1 net) stratigraphic test wells in southeast Saskatchewan in 2016 that will fulfill a portion of the company's 2015 flow through share capital commitment.

A summary of Spartan's drilling activity in 2016 is provided below.

| 2016 Drilling Program | Development Wells Spud | | Development Wells On Production | | Exploratory Wells Spud | |
|---|---|---|---|---|---|---|
| As at September 30, 2016 | Gross | Net | Gross | Net | Gross | Net |
| Southeast Saskatchewan – Conventional Mississippian | 34 | 29.6 | 31 | 27.8 | 4 | 3.1 |
| Southeast Saskatchewan – Frac Midale | 11 | 8.5 | 7 | 5.0 | - | - |
| West Central Saskatchewan – Frac Viking | - | - | 7 | 5.9 | - | - |
| **Total** | **45** | **38.1** | **45** | **38.7** | **4** | **3.1** |

Spartan incurred $5.8 million in equipment and facilities capital expenditures in the third quarter of 2016 in the form of new well equipping and tie-in costs, well optimizations and pipeline capital. For the nine months ended September 30, 2016, equipment and facilities capital expenditures totaled $12.5 million. Land and seismic costs for the three and nine months ended September 30, 2016 were $0.9 million and $2.1 million respectively as the Company continued to maintain its land position in its core areas.

Spartan has executed on its capital program to date in 2016 while spending within funds flow from operations in this low commodity price environment. With the volatility in commodity oil and gas prices, Spartan continues to actively monitor capital spending plans and forecasted cash flows. Capital expenditures are largely discretionary and the flexibility of the capital plan provides the ability to allocate capital as warranted to preserve balance sheet strength. As at September 30, 2016, the Company had spent $44.8 million in capital expenditures (excluding acquisitions) in 2016 while generating $43.8 million in funds flow from operations over the nine month period.

**Wyatt Oil + Gas Inc. Acquisition**

On September 23, 2016, Spartan completed the acquisition of Wyatt Oil + Gas Inc. ("Wyatt"), a privately held corporation with light oil assets in southeast Saskatchewan, for total consideration of $77.0 million. The total consideration was comprised of the issuance of 11.4 million common shares of Spartan and the assumption of approximately $43 million of net debt.

The acquisition of Wyatt included approximately 1,330 boe/d (76% light oil and liquids) of production focused in the Alameda and Elcott areas of southeast Saskatchewan. The assets are comprised of approximately 45 net sections of land prospective for both Midale and Frobisher light oil and are complementary to Spartan's existing southeast Saskatchewan core areas. Spartan has initially identified over 177 (162 net) Mississippian drilling locations across the asset base comprised of 79 (75 net) frac Midale locations and 98 (87 net) open-hole Midale and Frobisher locations.

The Alameda asset includes 29 net contiguous sections of operated lands with a 97% average working interest. The Alameda property has large original oil in place with a current recovery factor of approximately 1.3%. Wyatt had commenced a 3.5 section waterflood project on the lands. Early results are encouraging and Spartan believes that there is significant unbooked waterflood upside associated with the assets. The Wyatt acquisition includes all infrastructure required to accommodate future production growth.

**Greater Corning-Manor Acquisition**

On September 30, 2016, Spartan completed the acquisition of certain oil and gas assets in the Alida, Tilston and Souris Valley fairways of southeast Saskatchewan (the "Corning-Manor Acquisition") for total cash consideration of $62.3 million, excluding transaction costs. The Corning-Manor acquisition included approximately 1,500 boe/d (99% light oil and liquids) of low-decline production, all required production infrastructure, 1,141 km2 of proprietary 3D seismic and 547 km of proprietary 2D seismic. Spartan has initially identified 42.5 net open-hole Mississippian drilling locations on the assets.

**Midale Acquisition**

On August 3, 2016, Spartan completed the acquisition of certain oil and gas assets located in the Midale fairway of southeast Saskatchewan (the "Midale Acquisition") for total cash consideration of $23.5 million, excluding transaction costs. Upon closing of the Midale Acquisition, the assets acquired were producing approximately 450 boe/d (93% light oil and liquids) and included approximately 29.2 net sections of land.

**Winmore Acquisition**

On May 30, 2016, Spartan completed the acquisition of certain oil and gas assets in its core Winmore area (the "Winmore Acquisition") in southeast Saskatchewan. The Winmore Acquisition included approximately 150 boe/d of production and 16.6 net sections of land. Spartan has identified 29.7 net economic open-hole drilling locations on the acquired assets.

The Winmore area has recently been a key driver of growth for Spartan with wells significantly outperforming Spartan's internal type curves. In addition, the consolidation of working interests in portions of the pool will allow Spartan to accelerate future waterflood projects in the area. Total consideration for the Winmore Acquisition was $9.5 million excluding transaction costs, comprised of cash in the amount of $2.2 million and 2.3 million common shares of Spartan.

**2016 Acquisitions Summary**

A summary of the four acquisitions completed in the 2016 is as follows:

- Total purchase price of $172.2 million
- 3,430 boe/d of light oil production (87% oil and liquids)
- 125,262 net acres of land (57 % Crown)
- 314 net drilling locations
- 10.1 MMboe of Proved Developed Producing reserves
- 24.4 MMboe of Proved plus Probable reserves

Spartan has maintained a disciplined approach to acquisitions through the recent economic downturn. Moving forward, Spartan will continue to seek out acquisition opportunities that deliver high quality assets at an attractive valuation, while at the same time protecting balance sheet flexibility.

**CAPITALIZATION AND CAPITAL RESOURCES**

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

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 and decommissioning obligation 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's net debt to annualized funds flow from operations ratio for the third quarter of 2016 was 1.1 times. Excluding the Company's finance lease obligations, Spartan's net debt was approximately $49.0 million and the net debt (excluding finance lease obligations) to annualized funds flow from operations ratio for the third quarter of 2016 was 0.7 times.

**Share Capital**

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| **Weighted average outstanding common shares [(1)]** | | | | |
| Basic | **329,938,297** | 264,277,846 | **303,110,506** | 264,270,046 |
| Diluted | **356,147,715** | 285,637,309 | **327,634,815** | 286,853,924 |
| **As at September 30, 2016** | | | | |
| Common shares | | | **344,873,088** | |
| Warrants[(2)] | | | **31,246,249** | |
| Common share options[(3)] | | | **11,204,000** | |
| Restricted share units[(4)] | | | **1,109,215** | |

*(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.*

*(2) All of the outstanding warrants were exercisable at September 30, 2016.*

*(3) As at September 30, 2016, 5,956,333 of the options to purchase common shares were vested and exercisable.*

*(4) As at September 30, 2016 there were no vested and exercisable restricted share units outstanding.*

Spartan's total capitalization as at September 30, 2016 is as follows:

| **($ thousands)** | **Amount** |
|---|---|
| Net debt[(1)] | 81,271 |
| Market capitalization [(2)] | 1,165,671 |
| **Total capitalization as at September 30, 2016** | **1,246,942** |

*(1) Includes finance lease obligations of $32.3 million at September 30, 2016. Excluding finance lease obligations, net debt was approximately $49.0 million at September 30, 2016*

*(2) As at September 30, 2016, the closing market price of Spartan Energy Corp. shares was $3.38 per share.*

**Liquidity**

*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 than 3.5:1. The amount of the facility is subject to a borrowing base test performed at least annually, primarily based on reserves, using commodity prices estimated by the lender, as well as other factors. 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.

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.

*Finance Lease Obligations*

As part of the acquisition of Wyatt, 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. 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. As at September 30, 2016, finance lease obligations of $32.3 million were recorded as liabilities on the Consolidated Statements of Financial Position. The finance lease bears interest at an implicit rate of 5.71 percent.

At September 30, 2016, Spartan's net debt was $81.3 million, including finance lease obligations. Excluding the Company's finance lease obligations, Spartan's net debt was approximately $49.0 million with available liquidity of approximately $101.0 million on the Company's $150 million credit facility.

On an ongoing basis, Spartan will typically utilize three sources of funding to finance its capital expenditure program: internally generated funds flow from operations, debt where appropriate and new equity issuances if available on favourable terms. When financing corporate acquisitions, the Company may also assume certain future liabilities. In addition, the Company may adjust its capital expenditure program depending upon commodity price outlook.

The Company's investment selection process is based on risk analysis to ensure capital expenditures balance the objectives of immediate cash flow growth (development activity) and future cash flow from the discovery of reserves (exploration). This careful prospect selection process can yield consistent and efficient results. The Company focuses its activity in a small number of core areas and concentrates on play types with which management is familiar, allowing it to leverage off its experience and knowledge in these areas. The Company will consider the use of farmouts to minimize risk on plays it considers higher risk.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any special purpose entities nor is it a party to any off-balance sheet arrangements.

**USE OF ESTIMATES AND JUDGMENTS**

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 consolidated financial statements are as follows:

(i) Use of Estimates

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

*Reserve estimates*

The Company's reserves have been evaluated in accordance with the Canadian Oil and Gas Evaluation Handbook and comply with the standards that govern all aspects of reserves as prescribed in National Instrument 51-101, Standards of Disclosure for

Oil and Gas Activities (“NI 51-101”). Under NI 51-101 standards, proved plus probable reserves are considered a “best estimate” of future recoverable reserves.

The estimation of petroleum and natural gas reserves is an inherently complex process. Proved and probable reserves are estimated based on geological data, geophysical data, engineering data, projected future rates of production, estimated commodity prices, costs, discount rates and the timing of future expenditures. Reserves estimates, although not reported as part of the Company’s financial statements, can have a significant effect on earnings, assets, as a result of their impact on depletion and impairment, decommissioning provisions, deferred income taxes and fair values in business combinations. Accordingly, the impact to the consolidated financial statements of changes to estimates of reserves in future periods could be material.

*Decommissioning provisions*

Amounts are recorded for decommissioning provisions that will be incurred by the Company at the end of the operating life of the facilities and properties, and upon retirement of its petroleum and natural gas assets. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. The decommissioning provisions and related assets and expenses are impacted by estimates with respect to the costs and timing of decommissioning.

*Business combinations*

Estimates are made of the fair value of assets and liabilities acquired and contingent liabilities assumed which includes assessing the value of oil and gas properties based on the estimation of recoverable quantities of proven and probable reserves.

*Share-based compensation*

Compensation expense recognized for the Company’s share-based compensation plan is accrued over the vesting period based on fair values. Fair values are determined using the Black-Scholes option pricing model while the fair value of restricted and performance awards are valued based on the closing share price on the date immediately prior to the grant date. In assessing the fair value of share based compensation, significant assumptions such as expected volatility, dividend yield, expected term, estimated forfeiture rates and performance multipliers for performance awards are made.

*Income taxes*

The Company follows the asset/liability method for calculating deferred income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are recognized only to the extent that those assets are considered recoverable. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

(ii) Judgments

The following are the critical judgments that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

*Cash generating unit (“CGU”)*

For the purpose of impairment testing, petroleum and natural gas assets are aggregated into CGUs. The determination of CGUs requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

*Impairment*

Judgments are required to assess when impairment indicators exist and impairment testing is required. The recoverable amounts of CGUs are based on the higher of their value-in-use and fair value less costs to sell. These calculations require the use of estimates and assumptions. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Management does not expect a significant difference between value in use and fair value less cost to sell.

*Exploration and evaluation assets ("E&E")*

The decision to transfer assets from E&E to property, plant and equipment requires management to make certain judgments as to future events and is based on whether economic quantities of proved plus probable reserves have been found to determine a project's technical feasibility and commercial viability.

*Joint control*

Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the capital and operating activities of the projects it undertakes with partners and when the decision in relation to those activities require unanimous consent.

*Income taxes*

Judgments are made by management at the end of the reporting period to determine the likelihood that deferred income tax assets will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make judgments related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in profit or loss in the period in which the change occurs.

**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 transaction 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.

**BUSINESS RISKS**

Spartan is engaged in the exploration, development and production of crude oil and natural gas. There are a number of risks facing participants in the Canadian oil and gas industry. Some of the risks are common to all businesses while others are specific to the sector. Operationally, the Company faces risks that are associated with finding, developing, and producing oil and gas reserves. These include risks associated with drilling and completion, reservoir performance uncertainties, access to processing facilities, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates, access to capital markets, and the cost of goods and services.

Spartan attempts to mitigate these risks by employing highly qualified people, utilizing sound operating and business practices, and evaluating all potential and existing wells using the latest applicable technology. Spartan complies with government regulations and has in place an up-to-date emergency response test. Environment and safety policies and standards are adhered to. Decommissioning liabilities are recognized upon acquisition, construction, development and/or normal use of the assets. Spartan maintains property and liability insurance coverage. The coverage provides a reasonable amount of protection from risk of loss; however, not all risks are foreseeable or insurable.

The following reviews the general and specific risks and includes Spartan's approach to managing these risks.

*Prices, Markets and Marketing of Crude Oil and Natural Gas*

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of the Company's oil and gas reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company are in part determined by the borrowing base of the Company. A sustained material decline in prices from historical average prices could limit or reduce the Company's borrowing base, therefore reducing the bank credit available to the Company, and could require that a portion of any existing bank debt of the Company be repaid.

In addition to establishing markets for its oil and natural gas, the Company must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas, which may be acquired or discovered by the Company, will be affected by numerous factors beyond its control. The Company will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by the Company. The ability of the Company to market its natural gas may depend upon its ability to acquire space on pipelines, which deliver natural gas to commercial markets. The Company will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Company has limited direct experience in the marketing of oil and natural gas.

*Risk Management*

Spartan may, from time to time, enter into physical hedges or financial derivative instruments in order to manage its commodity price risk.

*Exploration Risk*

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Spartan attempts to minimize finding risk by ensuring that:

- the majority of its prospects have multi-zone potential;
- its activity is focused in core regions where management's expertise and experience are greatest;
- the number of wells drilled is large enough to increase the probability of statistical success rates;
- working interests are targeted at over 50 percent in new prospects; and
- geophysical techniques are utilized where appropriate.

*Investment Risk Profile*

The Company's investment selection process is based on risk analysis to ensure capital expenditures balance the objectives of immediate cash flow growth (development activity) and future cash flow from the discovery of reserves (exploration). This careful prospect selection process can yield consistent and efficient results. The Company focuses its activity in a small number of core areas and concentrates on play types with which management is familiar, allowing it to leverage off its experience and knowledge in these areas. The Company will consider the use of farmouts to minimize risk on plays it considers higher risk.

*Production*

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Spartan minimizes this risk by generating exploration prospects internally, targeting high quality products and attempting to operate the associated project. Operational control allows the Company to control costs, timing, method and sales of production. Production risk is also minimized by concentrating exploration efforts in regions where facilities and infrastructure are Spartan owned, or the Company can control the future development of new facilities and infrastructure.

*Reserve Estimates*

Estimates of economically recoverable oil and natural gas reserves (including natural gas liquids) and the future net cash flows there from are based upon a number of variable factors and assumptions, such as commodity prices, projected production from the properties, the assumed effects of regulation by government agencies and future operating costs. All of these estimates may vary from actual results. Estimates of the recoverable oil and natural gas reserves attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net revenues expected there from, may vary. The Company's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material.

*Financial and Liquidity Risks*

The Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. On an ongoing basis, Spartan will typically utilize three sources of funding to finance its capital expenditure program: internally generated funds flow from operations, debt where deemed appropriate and new equity issues if available on favourable terms.

Cash flow is influenced by factors, which the Company cannot control, such as commodity prices, the Canada/U.S. currency exchange rate, interest rates and changes to existing government regulations and tax policies. Should circumstances affect cash flow in a detrimental way, the Company may have limited ability to expend the capital necessary to undertake or complete future drilling programs. In such circumstances, Spartan would be required to either reduce the level of its capital expenditures or supplement its capital expenditure program with additional debt and/or equity financing. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

*Issuance of Debt*

From time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

*Environmental and Safety Risks*

There are potential risks to the environment inherent in the business activities of the Company. Spartan has developed and implemented policies and procedures to mitigate environmental, health and safety (EH&S) risks. These policies and procedures are designed to protect and maintain the environment, and public and employee safety, with respect to all corporate operations on behalf of shareholders, employees and the public at large. The Company mitigates environmental and safety risks by maintaining its facilities, complying with all provincial and federal environmental and safety regulations and maintaining adequate insurance.

*Inflation Risks*

Inflation risks subject the Company to potential erosion of product netbacks. For example, increasing domestic prices for oil and natural gas production equipment and services can inflate the costs of operations.

*Competitive Industry Conditions*

The oil and gas industry is highly competitive. The Company's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than the Company.

The Company actively competes for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than the Company. The Company's competitors include major integrated oil and natural gas companies, income trusts and numerous other independent oil and natural gas companies and individual producers and operators.

The Company attempts to mitigate competitive risks through the pursuit of strategic farmins and the internal generation of its own exploration prospects. The goal of these efforts is to build a quality inventory of undeveloped lands and drillable prospects that can fuel future growth.

*Supply of Service and Production Equipment*

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost and produce these reserves in an economic and timely fashion. In periods of increased activity these services and supplies can become difficult to obtain. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. The Company attempts to mitigate this risk by developing strong long term relationships with suppliers and contractors and maintains an appropriate inventory of production equipment.

**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

Spartan is obligated to pay various costs associated with operations in the normal course of business. These costs include royalties paid to the Alberta and Saskatchewan governments, surface and mineral lease rentals to various landowners, and abandonment and reclamation costs. These costs are highly dependent on the future operating environment and are subject to changes in commodity prices, ownership, production volumes and government policies.

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. (see note 3b of the Condensed Interim Consolidated Financial Statements).*

*(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 of the Condensed Interim Consolidated Financial Statements).*

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.

**OUTLOOK**

Spartan has maintained discipline over the past two years of depressed commodity prices, spending within cash flow, reducing costs and enhancing per share value through accretive acquisitions. Our acquisition activity has significantly added to our location inventory, and we now have over 970 locations in southeast Saskatchewan providing a platform for multi-year organic production growth. We have also been disciplined in managing our balance sheet with $101 million available borrowing on our $150 million credit facility at September 30, 2016. This financial flexibility positions us to continue to supplement our growth by capitalizing on high quality, accretive acquisition opportunities.