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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, May 9, 2018 and is management's assessment of the Company's financial and operating results for the quarter ended March 31, 2018. 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 March 31, 2018 and the audited consolidated financial statements and related notes thereto of the Company for the year ended December 31, 2017. All financial measures are expressed in Canadian dollars unless otherwise indicated. The results for the three months ended March 31, 2018 are not necessarily indicative of the results to be expected for any future period, or for the fiscal year ended December 31, 2017. The interim consolidated financial statements were prepared under International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), 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).

This MD&A compares the results of the three months ended March 31, 2018 ("Q1 2018") to the three months ended March 31, 2017 ("Q1 2017"). The terms "first quarter of 2018" and "same period of 2017" or similar terms are used throughout this document and refer to the three month periods ended March 31, 2018 and 2017, respectively. 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).

DESCRIPTION OF BUSINESS

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 common shares of the Corporation are listed on the Toronto Stock Exchange under the symbol "SPE".

FIRST QUARTER 2018 HIGHLIGHTS

- Achieved average production of 22,736 boe/d, comprised of 91% oil and liquids, representing an increase of 6% (5% per share) over the first quarter of 2017.
- Generated adjusted funds flow from operations of $65.7 million ($0.37 per basic and $0.35 per diluted share), representing an increase of 34% (32% per share) over the first quarter of 2017.
- Delivered excess adjusted funds flow from operations (funds flow from operations less capital expenditures exclusive of acquisitions, land and seismic) in the quarter of approximately $12.2 million.
- Drilled 52 (39.6 net) development wells and brought 50 (40.9 net) wells on production in the quarter.
- Applied a portion of our excess adjusted funds flow from operations to long term value creation, investing a total of $10.8 million to advance our Oungre waterflood project, acquire additional land and seismic and complete a tuck-in acquisition of a long life, low decline light oil asset.
- Continued our focus on cost reduction, delivering operating and transportation expenses of $16.82 per boe (a decrease of 4% from the Q1 2017) and net general and administrative expenses of $0.43 per boe (a 60% decrease from Q1 2017).
- Maintained our balance sheet strength, with net debt (exclusive of finance lease obligations) at the end of the quarter of approximately $199 million, down from $215 million at the end of the first quarter of 2017, and representing only 0.7x annualized first quarter adjusted funds flow from operations. Available liquidity and the end of the first quarter was $151 million.

RESULTS OF OPERATIONS

Production

For the three month period ended March 31, 2018, Spartan achieved average total production of 22,736 boe/d compared to 21,455 boe/d for the same period in 2017, a 6 percent increase. The increase is attributable to the Company's successful development capital program, offset by natural declines. In the first quarter of 2018, the Company brought 50 (40.9 net) wells on production.

	For the three months ended March 31,		
	2018	2017	% change
Crude Oil (bbls/d)	**19,923**	19,231	4
Natural Gas (mcf/d)	**11,709**	9,618	22
Liquids (bbls/d)	**861**	621	39
Total (boe/d)	**22,736**	21,455	6

Oil and Gas Sales

Oil and gas sales in the first quarter of 2018 increased 19 percent, to $123.8 million, from $103.9 million in the first quarter of 2017. The increase was due to a 6 percent increase in average production and a 12 percent increase in the Company's realized oil and gas sales price. The Company's realized oil and gas sales price was $60.49/boe in the first quarter of 2018 compared to $53.82/boe in the first quarter of 2017.

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 March 31,		
($ thousands, except per boe amounts)	**2018**	2017	% change
Oil and gas sales by product:			
Light crude oil	**118,186**	99,780	18
Natural gas	**2,918**	2,644	10
Natural gas liquids	**2,672**	1,500	78
Total oil and gas sales	**123,776**	103,924	19

Benchmark and Realized Pricing

All of Spartan's crude oil was sold into the spot market during the three months ended March 31, 2018. Spartan's realized price for its light crude oil sales was $65.91/bbl in the first quarter of 2018 compared to $57.65/bbl in the first quarter of 2017. Spartan realized a sales price of $34.49/bbl on its natural gas liquid ("NGL") sales in the first quarter of 2018 compared to $26.85/bbl in the first quarter of 2017. The Company realized a natural gas sales price of $2.77/mcf in the first quarter of 2018 compared to $3.05/mcf in the first quarter of 2017.

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 light crude oil 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 are determined by the quality of the crude compared to a benchmark price for light oils. The increase in Spartan's realized price for light crude oil for the three months ended March 31, 2018, compared to the same period in the prior year, is consistent with the increase in the Canadian LSB benchmark at Cromer, Manitoba over the period.

	For the three months ended March 31,		
	2018	2017	% change
Average Benchmark Prices			
Crude oil – WTI (US$ per bbl)	**62.87**	51.90	21
Crude oil – WTI (CDN$ per bbl)	**79.52**	68.66	16
Crude oil – Cromer LSB (35 API) ($ per bbl)	**71.62**	62.33	15
Natural gas – AECO-C Spot ($ per MMbtu)	**2.06**	2.69	(23)
Exchange rate – (US/CAD)	**0.79**	0.76	4
Spartan's Average Realized Prices			
Light crude oil ($ per bbl)	**65.91**	57.65	14
Natural gas liquids ($ per bbl)	**34.49**	26.85	28
Natural gas ($ per mcf)	**2.77**	3.05	(9)
BOE ($ per boe)	**60.49**	53.82	12

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. On Crown lands in Saskatchewan, the first 37,760 barrels of production from horizontal oil wells drilled after October 1, 2002 at a vertical depth of less than 1,700 meters are incentivized through a royalty of 2.5 percent. This royalty incentive volume is increased to approximately 100,685 barrels of production for horizontal oil wells drilled at vertical depths exceeding 1,700 meters. 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.

Royalties increased by 25 percent for the three months ended March 31, 2018, compared to the same period in 2017, as a result of the increase in oil and gas sales in Q1 2018 compared to Q1 2017. Royalties were $20.4 million in the first quarter of 2018 compared to $16.3 million in the first quarter of 2017. The Company's average royalty rate of 16 percent was unchanged from Q1 2017 to Q1 2018.

	For the three months ended March 31,		
($ thousands, except per boe amounts)	**2018**	2017	% change
Royalties	**20,401**	16,266	25
Royalties ($ per boe)	**9.97**	8.42	18
% of oil and gas sales	**16**	16	-

Operating & Transportation

Operating and transportation costs totaled $34.4 million, or $16.82/boe, in the first quarter of 2018 compared to $33.9 million, or $17.56/boe, in the first quarter of 2017.

The increase in operating and transportation costs on a total dollar basis is a result of variable operating costs that are tied to production volumes. The increase in operation and transportation costs is consistent with the increase in production volumes from Q1 2017 to Q1 2018. Operating and transportation costs decreased on a unit of production basis, from $17.56/boe in the first quarter of 2017 to $16.82/boe in the first quarter of 2018, as certain fixed operating costs did not change as a result of the increase in production volumes from Q1 2017 to Q1 2018.

	For the three months ended March 31,		
($ thousands, except per boe amounts)	**2018**	2017	% change
Operating and transportation costs	**34,418**	33,907	2
Operating and transportation costs ($ per boe)	**16.82**	17.56	(4)

General and Administrative Expenses

General and administrative expenses (G&A), net of capitalized amounts, were $0.9 million, or $0.43/boe, in the first quarter of 2018 compared to $2.1 million, or $1.07/boe, in the first quarter of 2017. G&A expenses, prior to the effects of capitalized amounts, were $1.8 million, or $0.87/boe, in the first quarter of 2018 compared to $3.0 million, or $1.53/boe, in the first quarter of 2017.

Gross G&A expenses in the first quarter of 2018 were lower than gross G&A expenses in the first quarter of 2017 due to higher capital spending in Q1 2018, compared to Q1 2017, which resulted in higher G&A overhead recoveries in the first quarter of 2018. G&A expenses decreased on a unit of production basis for the three months ended March 31, 2018, compared to the same period in the prior year, due to an increase in production volumes.

	For the three months ended March 31,		
($ thousands, except per boe amounts)	**2018**	2017	% change
Gross general and administrative expenses	**1,773**	2,951	(40)
Less - capitalized	**(898)**	(894)	-
General and administrative expenses	**875**	2,057	(57)
Net general and administrative expenses ($/boe)	**0.43**	1.07	(60)
Gross general and administrative expenses ($/boe)	**0.87**	1.53	(43)

Interest Expense

Interest expense, net of interest income, for the three month period ended March 31, 2018 was $2.4 million compared to $2.7 million for the same period of 2017. The decrease in interest expense, net of interest income, is due to the lower average bank debt balance outstanding in Q1 2018 compared to Q1 2017.

In addition, 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 interim consolidated financial statements). Monthly payments are made to the third party plant operator and are accounted for as payments of principal outstanding on the finance lease obligation as well as interest expense accrued on the outstanding obligation. In the first quarter of 2018, $0.4 million was recognized as interest expense accrued on the outstanding principal ($0.4 million – Q1 2017).

	For the three months ended March 31,		
($ thousands, except per boe amounts)	**2018**	2017	% change
Interest expense (income)	**2,397**	2,671	(10)
Interest expense ($ per boe)	**1.17**	1.38	(15)

Accretion on Decommissioning Liabilities

During the three months ended March 31, 2018, the Company recognized accretion on decommissioning liabilities of $1.6 million compared to $1.3 million in the first quarter of 2017. The increase is primarily due to the increase in decommissioning liabilities outstanding at March 31, 2018 compared to March 31, 2017.

	For the three months ended March 31,		
($ thousands)	**2018**	2017	% change
Accretion on decommissioning liabilities	**1,619**	1,306	24

Stock-Based Compensation

During the three months ended March 31, 2018 the Company recognized stock-based compensation expense of $5.0 million, for costs related to the Company's Stock Option and Restricted Share Unit plans, compared to $1.6 million during the three months ended March 31, 2017. The increase in stock-based compensation expense is a result of the Company accelerating the vesting period on outstanding restricted share units to May 28, 2018 as a result of the April 16, 2018 Arrangement Agreement ("Arrangement) between Spartan and Vermilion Energy Inc. ("Vermilion"). As a result of the Arrangement, all in-the-money dilutive securities will vest and be exercised on the closing date of the Arrangement. The Arrangement is expected to close on May 28, 2018. See note 10 of the interim consolidated financial statements and the Subsequent Events section of this MD&A.

Stock options and restricted share units ("RSUs") are measured at fair value on the date of grant. The resulting stock-based compensation expense is recognized on a graded vesting basis over the vesting period.

	For the three months ended March 31,		
($ thousands)	**2018**	2017	% change
Stock-based compensation	**5,010**	1,602	213

Depletion and Depreciation

Depletion and depreciation expense was $46.2 million, or $22.59/boe, in the first quarter of 2018 compared to $43.9 million, or $22.73/boe, in the first quarter of 2017. The increase in depletion and depreciation expense for the three months ended March 31, 2018, compared to the same period in the prior year, is due to an increase in costs subject to depletion resulting from increased future development costs associated with the Company's proved plus probable reserves. Depletion and depreciation expense on a per unit basis was consistent from Q1 2017 to Q1 2018.

	For the three months ended March 31,		
($ thousands, except per boe amounts)	**2018**	2017	% change
Total depletion and depreciation	**46,214**	43,883	5
Depletion and depreciation ($/boe)	**22.59**	22.73	(1)

Impairment

In accordance with IAS 36, the Company assessed, for each Cash Generating Unit ("CGU"), whether there were any indicators of impairment or reversals of prior period impairments as at March 31, 2018. Subsequent to the quarter end date, on April 16, 2018, Spartan entered into the Arrangement with Vermillion providing for the acquisition by Vermilion of all the issued and outstanding common shares of Spartan for total consideration of approximately $1.4 billion, including the assumption of Spartan's net debt (see Subsequent Events section of this MD&A). The consideration offered by Vermilion under the Arrangement was considered a potential indicator of impairment to Spartan's properties and equipment, as the implied equity value offered, after giving effect to the agreed upon exchange ratio on the date of the Arrangement, was less than the carrying value of Spartan's net assets at March 31, 2018. As a result, the Company tested its three CGUs - Alberta, West Central Saskatchewan and Southeast Saskatchewan - for impairment. The consideration offered in the Arrangement was assessed as fair and representative of fair value for the Company's net assets. The consideration offered in the Arrangement was therefore used by the Company to determine the estimated recoverable amounts of the Company's properties and equipment at March 31, 2018. Spartan recognized impairments to the Alberta, West Central Saskatchewan and Southeast Saskatchewan CGUs at March 31, 2018 as summarized in the table below.

CGU	**Recoverable Amount**	**Impairment**
Alberta	$ 18,700	$ 2,366
West Central Saskatchewan – Viking	$ 75,423	$ 9,541
Southeast Saskatchewan	$ 1,438,806	$ 182,009
Total	**$ 1,532,929**	**$ 193,915**

There was no impairment expense recognized for the three months ended March 31, 2017.

	For the three months ended March 31,		
($ thousand)	**2018**	2017	% change
Impairment	**193,915**	-	n/a

Exploration and Evaluation ("E&E") Expense

In the first quarter of 2018, the Company recognized an expense of $0.2 million for costs associated with undeveloped land expiries compared to $1.1 million in the first quarter of 2017.

	For the three months ended March 31,		
($ thousands)	**2018**	2017	% change
Exploration and evaluation expense	**150**	1,138	(87)

Income taxes

For the three months ended March 31, 2018, the Company recorded a deferred income tax recovery of $47.6 million, compared to a $0.7 million deferred income tax expense for the same period in the prior year.

	For the three months ended March 31,		
($ thousands)	**2018**	2017	% change
Deferred income tax expense (recovery)	**(47,616)**	683	(7,072)

As at March 31, 2018, the Company had approximately $1.7 billion of tax pools and losses available to reduce future taxable income, as compared to $1.8 billion tax pools and losses available as at March 31, 2017. The tax pools and losses available to the Company at March 31, 2018 are summarized in the table below.

($thousands of dollars)	**March 31, 2018**
COGPE	866,391
CDE	263,437
CEE	36,294
UCC	221,353
CEC	548
SR&ED	4,027
Share issue costs	20,288
Tax losses	335,387
Total	**1,747,725**

Adjusted Funds Flow from Operations and Net Income (Loss)

Adjusted funds flow from operations increased by 34 percent to $65.7 million in the first quarter of 2018 compared to $49.0 million in the first quarter of 2017. Basic and diluted adjusted funds flow from operations per share were $0.37 and $0.35 respectively in the first quarter of 2018 compared to $0.28 per basic share and $0.27 per diluted share during the same period of 2017. The increase in adjusted funds flow from operations in the first quarter of 2018, compared to the first quarter of 2017, is primarily a result of the increase in oil and gas sales, driven by both an increase in average production volumes and an increase in the Company's average realized oil and gas sales price. Spartan increased its average production volumes by 6 percent from Q1 2017 to Q1 2018. Canadian LSB at Cromer, Manitoba, the benchmark oil price that most directly influences the Company's realized light crude oil sales price, increased by 15 percent from Q1 2017 to Q1 2018 which resulted in a 14 percent increase in the Company's realized sales price for its light crude oil in the first quarter of 2018. The increases in average production volumes and the Company's realized oil and gas sales price resulted in a 12 percent increase in oil and gas sales for the three months ended March 31, 2018, compared to the same period in 2017.

The Company realized a net loss of $133.7 million in the first quarter of 2018 compared to net income of $0.2 million in the first quarter of 2017. Basic and diluted net loss per share for the quarter were $0.76 compared to basic and diluted net income per share of $0.00 in the first quarter of 2017. While the Company generated higher adjusted funds flow from operations in the first quarter of 2018 compared to the first quarter of 2017, the Company recognized an impairment charge of $133.7 million to its properties and equipment in the first quarter of 2018, which resulted in a net loss for the period.

	For the three months ended March 31,		
($ thousands)	**2018**	2017	% change
Adjusted funds flow from operations	**65,685**	49,023	34
Per basic share(1)(2)	**0.37**	0.28	32
Per diluted share(1)(2)	**0.35**	0.27	30
Net income (loss)	**(133,749)**	244	(54,915)
Net income (loss) per basic and diluted share	**(0.76)**	0.00	n/a

(1) Adjusted funds flow from operations and adjusted funds flow from operations per basic and diluted share are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.

(2) Numbers have been restated to reflect the share consolidation that occurred on June 20, 2017.

The following tables summarize the netbacks on a total dollar and unit of production basis for the three months ended March 31, 2018 and March 31, 2017.

	For the three months ended March 31,		
($ thousands)	**2018**	2017	% change
Oil and gas sales	**123,776**	103,924	19
Royalties	**(20,401)**	(16,266)	25
Operating and Transportation	**(34,418)**	(33,907)	2
Operating netback(1)	**68,957**	53,751	28
General and administrative expenses	**(875)**	(2,057)	(57)
Interest expense	**(2,397)**	(2,671)	(10)
Adjusted funds flow from operations(1)	**65,685**	49,023	34

(1) Operating netback and adjusted funds flow from operations are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.

	For the three months ended March 31,		
($ per boe)	**2018**	2017	% change
Oil and gas sales	**60.49**	53.82	12
Royalties	**(9.97)**	(8.42)	18
Operating and Transportation	**(16.82)**	(17.56)	(4)
Operating netback(1)	**33.70**	27.84	21
General and administrative expenses	**(0.43)**	(1.07)	(60)
Interest expense	**(1.17)**	(1.38)	(15)
Corporate netback(1)	**32.10**	25.39	26

(1) Operating netback and corporate netback are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.

Summary of Quarterly Results

Summarized quarterly information for the last eight quarters is presented below:

Quarterly Summaries ($ thousands, except per boe and per share amounts)	**March 31, 2018**	December 31, 2017	September 30, 2017	June 30, 2017
Production (boe/d)	**22,736**	22,635	22,630	22,061
Average realized price ($/boe) – excluding derivatives	**60.49**	57.91	46.98	52.65
Oil and gas sales	**123,776**	120,588	97,807	105,691
Net income (loss)	**(133,749)**	(8,252)	(8,234)	(9,829)
Earnings (loss) per share - basic(2)	**(0.76)**	(0.05)	(0.05)	(0.06)
Earnings (loss) per share – diluted(2)	**(0.76)**	(0.05)	(0.05)	(0.06)
Adjusted funds flow from operations(1)	**65,685**	64,499	41,066	46,142
Adjusted funds flow from operations per share - basic(1)(2)	**0.37**	0.37	0.23	0.26
Adjusted funds flow from operations per share - diluted(1)(2)	**0.35**	0.35	0.22	0.25
Total development capital expenditures(1)	**53,516**	35,821	35,111	27,263
Total capital expenditures	**64,293**	55,742	40,904	33,735
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Production (boe/d)	21,455	15,750	12,429	9,080
Average realized sales price ($/boe) – excluding derivatives	53.82	51.02	44.20	43.83
Oil and gas sales	103,924	73,921	50,534	36,217
Net income (loss)	244	(3,175)	4,102	(6,659)
Earnings (loss) per share - basic(2)	0.00	(0.02)	0.04	(0.07)
Earnings (loss) per share – diluted(2)	0.00	(0.02)	0.03	(0.07)
Adjusted funds flow from operations(1)	49,023	32,958	18,922	16,265
Adjusted funds flow from operations per share - basic(1) (2)	0.28	0.25	0.17	0.16
Adjusted funds flow from operations per share - diluted(1)(2)	0.27	0.24	0.16	0.15
Total development capital expenditures(1)	42,335	19,190	19,867	6,108
Total capital expenditures	49,892	722,020	44,250	71,322

(1) Adjusted funds flow from operations, adjusted funds flow from operations per basic and diluted share and total development capital expenditures are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.

(2) Numbers have been restated to reflect the share consolidation that occurred on June 20, 2017.

In 2016, Spartan was able to capitalize on market conditions as the Company enhanced its asset base through accretive acquisitions. The Company completed five acquisitions, and in doing so increased production by approximately 10,930 boe/d, while also increasing its inventory of economic drilling locations, improving the quality of the Company's reserves and lowering the corporate production decline rate. Despite continued weakness in commodity prices in 2016, the Company increased adjusted funds flow from operations by 16 percent from 2015 to 2016 primarily due to a 33 percent increase in average production volumes.

In 2017 the Company's focus was on integrating the acquisitions completed in 2016 while delivering top tier growth through an organic drilling program and reinvesting excess adjusted funds flow from operations to enhance shareholder value. The Company spent $140.5 million in total development capital expenditures (total capital expenditures less land, seismic, waterflood capital and acquisitions), and $180.3 million in total capital expenditures in 2017 to grow average production volumes by 17 percent per basic share from 2016 to 2017. Average production volumes increased by 89 percent from 2016 to 2017. This production volume growth, combined with a 20 percent increase in the Company's realized oil and gas sales price, resulted in a 162 percent increase in the Company's annual adjusted funds flow from operations to $200.7 million in 2017 from $76.7million in 2016.

Total development capital expenditures of $140.5 million in 2017 represented only 70 percent of annual adjusted funds flow from operations. The $60.2 million in excess adjusted funds flow from operations was generated in a weaker commodity price environment where the benchmark price for WTI averaged US$ 50.95/bbl. Spartan successfully invested a portion of this excess adjusted funds flow from operations in projects focused on long term value creation. The Company completed four strategic tuck-in acquisitions for total consideration of approximately $34.7 million, consisting of $27.4 million in cash and the issuance of 1.1 million common shares. Through these acquisitions the Company brought its interest in the Oungre Ratcliffe unit to 100%, allowing for control and accelerated development of the Company's waterflood project in the unit. In addition, Spartan added 45 net drilling locations in its core Winmore area. Spartan also commenced activity on waterflood projects in the second half of 2017, spending approximately $3.2 million in waterflood capital.

Spartan continued to deliver production per share growth while spending within adjusted funds flow from operations in the first quarter of 2018. Spartan generated $12.2 million in excess adjusted funds flow from operations in Q1 2018 while growing production by 5 percent on a per share basis compared Q1 2017. Spartan invested $10.8 million of the $12.2 million in excess adjusted funds flow from operations in land, seismic, waterflood projects and tuck-in acquisitions in the quarter. The remaining excess adjusted funds flow from operations was applied to reduce net debt excluding finance lease obligations to approximately $199.0 million. At March 31, 2018, Spartan had available liquidity of $151.0 million on the Company's $350 million credit facility.

Capital Expenditures

The following table details the cash capital additions relating to the Company's properties and equipment and exploration and evaluation assets for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31,		
($ thousands)	**2018**	2017	% change
Drilling and completions	**38,497**	32,090	20
Equipment, facilities and CO_2 EOR capital	**14,121**	9,351	51
Other	**898**	894	-
Total development capital expenditures[1]	**53,516**	42,335	26
Land and seismic	**2,082**	1,099	89
Waterflood capital	**4,680**	-	-
Total discretionary capital expenditures	**6,762**	1,099	515
Acquisitions	**4,015**	6,458	(38)
Total capital expenditures	**64,293**	49,892	29

(1) Total development capital expenditures is a non-IFRS measure which is defined under the Non-IFRS Measures section of this MD&A.

In the first quarter of 2018, total development capital expenditures were $53.5 million, compared to $42.3 million in the first quarter of 2017. The Company drilled 52 (39.6 net) development wells and brought 50 (40.9 net) wells on production in the first quarter of 2018, including 4 (3.6 net) wells drilled in the fourth quarter of 2017.

As at March 31, 2018, the Company had drilled 6 (2.4 net) wells that were not yet on production. A summary of Spartan's drilling activity in the first quarter of 2018 is provided below.

2018 Drilling Program	**Development Wells Spud**		**Development Wells On Production**	
As at March 31, 2018	**Gross**	**Net**	**Gross**	**Net**
Southeast Saskatchewan – Open Hole	27	20.1	22	18.3
Southeast Saskatchewan – Frac Midale	10	8.3	10	8.6
Southeast Saskatchewan - Ratcliffe (open hole)	12	8.7	12	8.7
Southeast Saskatchewan – Frac Torquay	-	-	1	1.0
West Central Saskatchewan – Frac Viking	-	-	2	1.8
Alberta - Detrital	3	2.5	3	2.5
Total	**52**	**39.6**	**50**	**40.9**

Land and seismic costs for the three months ended March 31, 2018 were $2.1 million as the Company continued to advance its land position in its core areas. For the three months ended March 31, 2018, Spartan incurred $4.7 million in waterflood capital expenditures, primarily relating to waterflood injection at our Oungre Unit waterflood project.

Spartan executed on its capital program in the first quarter of 2018 while spending within adjusted funds flow from operations. Capital expenditures are largely discretionary and are dependent on the Company's forecasted adjusted funds flow from operations. The flexibility of the Company's capital plan allows the Company to manage spending levels and preserve balance sheet strength. Spartan spent $53.5 million in total development capital expenditures in the first quarter of 2018 while generating $65.7 million in adjusted funds flow from operations. Of the $12.2 million in excess adjusted funds flow from operations generated in the quarter, Spartan invested $10.8 million in land, seismic, waterflood projects and tuck-in acquisitions.

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 excluding finance lease obligations (defined as bank debt plus trade and other liabilities 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 (excluding finance lease obligations) to adjusted funds flow from operations. Adjusted 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 at March 31, 2018 (excluding finance lease obligations) to annualized adjusted funds flow from operations ratio for the first quarter of 2018 was 0.7 times.

Share Capital

	For the three months ended March 31,	
	2018	2017
Weighted average outstanding common shares (1)(5)		
Basic	**176,620,663**	175,302,938
Diluted	**185,050,997**	183,721,370
As at March 31(5)		
Common shares	**176,627,006**	175,644,751
Warrants(2)	**10,099,753**	10,134,305
Common share options(3)	**3,278,889**	3,581,889
Restricted share units(4)	**2,178,106**	1,114,734

(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 March 31, 2018.

(3) As at March 31, 2018, 3,256,667 of the options to purchase common shares were vested and exercisable.

(4) As at March 31, 2018, there were 330,121 vested and exercisable restricted share units outstanding.

(5) Numbers have been restated on a three for one basis to reflect the share consolidation that occurred on June 20, 2017.

Spartan's total capitalization as at March 31, 2018 is as follows:

($ thousands)	Amount
Net Debt	224,421
Market capitalization [(2)]	1,013,839
Total capitalization as at March 31, 2018	**1,238,260**

(1) Includes finance lease obligations of $25.4 million at March 31, 2018. Excluding finance lease obligations, net debt was $199.0 million and total capitalization was $1.2 billion at March 31, 2018.
(2) As at March 31, 2018, the closing market price of Spartan Energy Corp. shares was $5.74 per share.

Liquidity

Bank Debt

As at March 31, 2018, the Company had available a $350 million (December 31, 2017 - $350 million) credit facility with a syndicate of six Canadian chartered banks. The credit facility consists of a $310 million revolving production facility and a $40 million revolving operating facility. On April 26, 2018, the Company completed an extension of the term out date, the borrowing base date and the revolving period on the credit facility from May 31, 2018 to June 30, 2018. The maturity date of the credit agreement was not extended and remains May 31, 2019. At the end of the revolving period, being June 30, 2018, the revolving credit facility converts into a 335 day term loan if not renewed. All repayments on the revolving credit facility are then due at the term maturity date. Prior to the end of the revolving period, Spartan can request that the credit facility be extended for an additional 364 days, subject to approval from the syndicate of lenders. As the credit facility does not mature within the next year, the liability is considered to be non-current.

The amount of the credit facility is subject to a borrowing base redetermination test performed at least semi-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. The credit facility bears interest on a grid system which ranges from bank prime plus 1.0 percent to bank prime plus 2.5 percent depending on the Company's debt to EBITDA ratio ranging from less than or equal to 1:1 to greater than 3.0:1. The Company is not subject to any financial covenants under the credit facility. As at March 31, 2018 and December 31, 2017, the Company was in compliance with all operating covenants outlined in the credit agreement.

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 March 31, 2018 the Company had $168.6 million drawn on the facility, excluding the letter of guarantee discussed below (December 31, 2017 - $180.7 million).

As at March 31, 2018 the Company had a letter of guarantee outstanding in the amount of $2.8 million against the credit facility (December 31, 2017 - $2.8 million).

The next borrowing base review is scheduled to occur on or before June 30, 2018.

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 interim 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 March 31, 2018, the finance lease obligation of $25.4 million was recorded as a liability on the interim consolidated statements of financial position. The finance lease bears interest at an implicit rate of 5.67 percent.

As at March 31, 2018, Spartan's net debt was $224.4 million, including finance lease obligations. Excluding the Company's finance lease obligations, Spartan's net debt was approximately $199.0 million with available liquidity of approximately $151.0 million on the Company's $350 million credit facility.

On an ongoing basis, Spartan will typically utilize three sources of funding to finance its capital expenditure program: internally generated adjusted 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.

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 March 31, 2018 Spartan was committed to future minimum payments as follows:

	2018	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Operating lease – office[1]	778	1,334	1,334	1,334	1,334	556	6,670
Pipeline transportation[2,3]	1,098	1,572	1,310	-	-	-	3,980
Gas processing[2,4]	4,424	5,872	5,889	4,965	3,157	5,268	29,575
	6,300	**8,778**	**8,533**	**6,299**	**4,491**	**5,824**	**40,225**

(1) Includes operating costs.

(2) Includes new commitments assumed as part of the acquisition of Wyatt Oil and Gas Inc. in 2016.

(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 the Company's realized 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 interim consolidated financial statements).

SUBSEQUENT EVENTS

On April 16, 2018, Spartan entered into the Arrangement with Vermilion providing for the acquisition by Vermilion of all the issued and outstanding common shares of Spartan for total consideration of approximately $1.4 billion, including the assumption of Spartan's net debt. Under the terms of the Arrangement, each Spartan common share shall be exchanged for 0.1476 of a common share of Vermilion. The Arrangement is subject to customary conditions for a transaction of this nature, which include court, regulatory and Spartan shareholder approvals. Assuming the satisfaction of all conditions, the Arrangement is expected to close on May 28, 2018.

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 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 properties 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.

NEW ACCOUNTING STANDARDS APPLIED

IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9, “Financial Instruments” (“IFRS 9”), which replaced IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). The adoption of IFRS 9 did not have a material impact on the measurement and carrying values of the Company’s financial instruments, including cash and cash equivalents, trade and other receivables, deposits, trade and other liabilities, finance lease obligations and bank debt. The nature and effects of the key changes to the Company’s accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of Financial Assets and Financial Liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the company’s business model for managing the financial asset. The differences between the two standards did not impact the Company at the time of transition.

Impairment of Financial Assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The ECL model applies to the Company’s receivables. A loss allowance for expected credit losses on a financial asset that is measured at amortized cost is recognized and assessed at each reporting period. Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to the Company under the contract and the cash flows the Company expects to receive.

Adoption

On January 1, 2018, the Company:

- Identified the business model used to manage its financial assets and classified its financial instruments into the appropriate IFRS 9 category;
- Applied the ECL model to financial assets classified as measured at amortized cost.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company’s financial assets and financial liabilities. The Company has no contract assets or debt investments measured at FVOCI.

Financial Instrument	Measurement Category IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Prepaid expenses and deposits	Loans and receivables	Amortized cost
Trade and other liabilities	Other liabilities	Amortized cost
Bank debt	Other liabilities	Amortized cost
Finance lease obligations	Other liabilities	Amortized cost

IFRS 15 Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted IFRS 15, “Revenue From Contracts With Customers” (“IFRS 15”) replacing IAS 11, “Construction Contracts”, IAS 18, “Revenue” and several revenue-related interpretations, using the modified retrospective approach.

The Company has elected to use the contract completions practical expedient, as permitted under IFRS 15. Pursuant to the contract completions practical expedient, the Company need not restate contracts that are completed contracts at the beginning of the earliest period presented.

The Company has elected to use the contract costs practical expedient, as permitted under IFRS 15. Pursuant to the contract costs practical expedient, the Company will expense the costs to obtain a contract as incurred when the expected amortization period is one year or less.

The adoption of IFRS 15 did not result in any material changes to how the Company recognized revenue and therefore did not have a material impact on the Company's interim consolidated financial statements. Refer to note 15 for the Company's consolidated financial statement disclosures related to IFRS 15, including the disaggregation of revenue from contracts with customers.

Accounting standards issued but not yet applied

IFRS 16 Leases

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. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The Company 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 adjusted 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.

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 March 31, 2018 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 March 31, 2018 and have concluded that such internal controls over financial reporting are effective.

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.

NON-IFRS MEASURES

Certain financial measures referred to in this MD&A, such as adjusted funds flow from operations, adjusted funds flow from operations per share, excess adjusted funds flow from operations, total development capital expenditures, net debt and net debt excluding finance lease obligations are not prescribed by IFRS. Adjusted 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. Adjusted funds flow from operations per share is calculated using weighted average shares outstanding consistent with the calculation of net income (loss) per share. Excess adjusted funds flow from operations is calculated based on adjusted funds flow operations less total development capital expenditures. Spartan uses adjusted funds flow from operations to analyze operating performance and leverage, and considers adjusted 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 adjusted funds flow from operations, on an absolute and per share basis, and excess adjusted funds flow from operations may not be comparable to that reported by other companies.

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

	For the three months ended March 31,		
($ thousands)	2018	2017	% change
Adjusted funds flow from operations	65,685	49,023	34
Transaction costs	(142)	(167)	(15)
Changes in non-cash working capital	(1,314)	(3,576)	(63)
Cash flow from operating activities	64,229	45,280	(42)

The following table reconciles adjusted funds flow from operations (a non-IFRS measure) to excess adjusted funds flow from operations (a non-IFRS measure):

	For the three months ended March 31,		
($ thousands)	2018	2017	% change
Adjusted funds flow from operations	65,685	49,023	34
Total development capital expenditures	(53,516)	(42,335)	26
Excess adjusted funds flow from operations	12,169	6,688	82

Total development capital expenditures is calculated as total capital expenditures less land and seismic, waterflood capital and acquisitions.

The following table reconciles total development capital expenditures (a non-IFRS measure) to total capital expenditures, which is the most directly comparable measure calculated in accordance with IFRS:

	For the three months ended March 31,		
($ thousands)	2018	2017	% change
Total development capital expenditures	53,516	42,335	26
Land and seismic	2,082	1,099	89
Waterflood capital	4,680	-	n/a
Acquisitions	4,015	6,458	(38)
Total capital expenditures	64,293	49,892	29

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

($ thousands)	March 31, 2018	December 31, 2017
Net debt	224,421	226,034
Trade and other liabilities	(89,101)	(69,943)
Finance lease obligations	(25,401)	(26,830)
Current assets	58,646	51,407
Bank debt	168,565	180,668

Spartan management considers net debt excluding finance lease obligations to be a meaningful measure of the Company's leverage and liquidity. The following table reconciles net debt (a non-IFRS measure) to net debt excluding finance lease obligations (a non-IFRS measure):

($ thousands)	March 31, 2018	December 31, 2017
Net debt	224,421	226,034
Finance lease obligations	(25,401)	(26,830)
Net debt excluding finance lease obligations	199,020	199,204

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), 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), and corporate netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues, plus/minus realized derivative contracts, less royalties, less operating and transportation costs, less general and administrative expenses and less interest expense), which are not recognized measures under IFRS. Management believes that in addition to net income (loss) and cash flow from (used in) operating activities, adjusted funds flow from operations, excess adjusted funds flow from operations, net debt, net debt excluding finance lease obligations, total market capitalization and operating and corporate 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.

BOE PRESENTATION

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 INFORMATION AND 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, 2017.

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.