Spartan Energy Corp.

Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2017

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

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

	March 31 2017	December 31 2016
Assets		
Current assets		
Cash and cash equivalents	$ **20**	$ 43
Trade and other receivables	**46,247**	33,924
Prepaid expenses and deposits	**8,335**	7,939
Total current assets	**54,602**	41,906
Non-current assets		
Exploration and evaluation assets (note 4)	**61,193**	56,757
Properties and equipment (note 5)	**1,687,289**	1,683,331
Deferred income tax asset (note 11)	**77,746**	78,429
Total non-current assets	**1,826,228**	1,818,517
Total Assets	$ **1,880,830**	$ 1,860,423
Liabilities		
Current liabilities		
Trade and other liabilities	$ **66,383**	$ 38,546
Finance lease obligations (note 7)	**4,360**	4,294
Bank debt (note 6)	**203,509**	217,921
Total current liabilities	**274,252**	260,761
Non-current liabilities		
Finance lease obligations (note 7)	**25,736**	26,830
Decommissioning liabilities (note 8)	**233,739**	229,364
Total non-current liabilities	**259,475**	256,194
Total Liabilities	**533,727**	516,955
Equity		
Share capital (note 9)	$ **1,392,070**	$ 1,389,932
Contributed surplus	**30,263**	28,654
Warrants	**12,983**	13,339
Deficit	**(88,192)**	(88,436)
Accumulated other comprehensive loss	**(21)**	(21)
Total Equity	**1,347,103**	1,343,468
Total Liabilities and Equity	$ **1,880,830**	$ 1,860,423

Commitments - note 14

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

Approved on behalf of the Board of Directors:

"signed" Michael Stark *"signed" Donald Archibald*

Michael Stark, Director Donald Archibald, Director

Spartan Energy Corp.

Interim Consolidated Statements of Comprehensive Income (Loss)

For the periods ended March 31

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

			Three Months Ended March 31 2017	Three Months Ended March 31 2016
Revenue				
Oil and gas sales		$	**103,924**	$ 27,994
Royalties			**(16,266)**	(3,987)
			87,658	24,007
Expenses				
Operating and transportation			**33,907**	12,946
Exploration and evaluation expense (note 4)			**1,138**	1,122
General and administrative			**2,057**	1,757
Stock-based compensation			**1,602**	951
Transaction costs			**167**	-
Depletion and depreciation (note 5)			**43,883**	23,243
			82,754	40,019
Finance expense:				
Interest expense			**2,671**	700
Accretion on decommissioning liabilities (note 8)			**1,306**	581
			3,977	1,281
Income (loss) before income taxes			**927**	(17,293)
Deferred income tax expense (recovery) (note 11)			**683**	(4,412)
Net income (loss) for the period		$	**244**	$ (12,881)
Other comprehensive income				
Foreign currency translation on foreign operations			**-**	20
Comprehensive income (loss) for the period		$	**244**	$ (12,861)
Income (loss) per share	**Basic**	$	**0.00**	$ (0.05)
	Diluted	$	**0.00**	$ (0.05)

Spartan Energy Corp.

Interim Consolidated Statements of Changes in Equity

For the periods ended March 31

(Unaudited- in thousands of Canadian dollars)

	Share capital	Contributed surplus	Warrants	Deficit	Accumulated other comprehensive loss	Total
Balance - January 1, 2017	**$ 1,389,932**	**$ 28,654**	**$ 13,339**	**$ (88,436)**	**$ (21)**	**$ 1,343,468**
Changes during period:						
Net income	-	-	-	244	-	244
Exercise of warrants	1,023	-	(356)	-	-	667
Exercise of stock options	1,046	(377)	-	-	-	669
Exercise of restricted share units	69	(69)	-	-	-	-
Stock-based compensation	-	2,055	-	-	-	2,055
Foreign currency translation on foreign operations	-	-	-	-	-	-
Balance - March 31, 2017	**$ 1,392,070**	**$ 30,263**	**$ 12,983**	**$ (88,192)**	**$ (21)**	**$ 1,347,103**
Balance - January 1, 2016	**$ 642,052**	**$ 25,426**	**$ 13,343**	**$ (69,823)**	**$ (23)**	**$ 610,975**
Changes during period:						
Net loss	-	-	-	(12,881)	-	(12,881)
Issue of common shares	96,251	-	-	-	-	96,251
Share issue costs, net of tax	(3,274)	-	-	-	-	(3,274)
Stock-based compensation	-	1,167	-	-	-	1,167
Foreign currency translation on foreign operations	-	-	-	-	20	20
Balance - March 31, 2016	**$ 735,029**	**$ 26,593**	**$ 13,343**	**$ (82,704)**	**$ (3)**	**$ 692,258**

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

Spartan Energy Corp.
Interim Consolidated Statements of Cash Flows
For the periods ended March 31
(Unaudited - in thousands of Canadian dollars)

	Three Months Ended March 31 2017	Three Months Ended March 31 2016
Cash and cash equivalents provided by (used in)		
Operating activities		
Net income (loss) for the period	**$ 244**	$ (12,881)
Items not affecting cash:		
Depletion and depreciation	**43,883**	23,243
Accretion expense	**1,306**	582
Stock-based compensation	**1,602**	951
Exploration and evaluation expense	**1,138**	1,122
Deferred income tax expense (recovery)	**683**	(4,412)
Net change in non-cash operating working capital items (note 12)	**(3,576)**	(13,581)
Net cash flows from (used in) operating activities	**45,280**	(4,976)
Investing activities		
Properties and equipment acquired	**(1,908)**	-
Exploration and evaluation assets acquired	**(4,550)**	-
Expenditures on properties and equipment	**(42,124)**	(16,633)
Expenditures on exploration and evaluation assets	**(1,310)**	(484)
Net change in non-cash investing working capital items (note 12)	**18,694**	12,792
Net cash flows used in investing activities	**(31,198)**	(4,325)
Financing activities		
Issuance of common shares	**-**	96,251
Exercise of stock options	**669**	-
Exercise of warrants	**667**	-
Share issue costs	**-**	(4,486)
Repayment of bank debt	**(14,412)**	(82,486)
Repayment of finance lease obligations (net)	**(1,028)**	-
Net cash flows from (used in) financing activities	**(14,104)**	9,279
Foreign exchange effect on cash and cash equivalents	**(1)**	8
Change in cash and cash equivalents during the period	**$ (23)**	$ (14)
Cash and cash equivalents - beginning of period	**43**	43
Cash and cash equivalents - end of period	**$ 20**	$ 29
Interest paid	**$ 739**	$ 700

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

1 Reporting entity

Spartan Energy Corp. ("Spartan", the "Company" or the "Corporation") is an Alberta incorporated Toronto Stock Exchange listed oil and natural gas exploration and production company whose business activities are focused in Western Canada. The interim consolidated financial statements of the Company as at and for the three months ended March 31, 2017 are comprised of the Company and its wholly-owned subsidiaries Renegade Petroleum (North Dakota) Ltd. and Petro Uno Resources Ltd. – North Dakota, which were incorporated under the laws of the State of North Dakota. The Company's head office address is Suite 500, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8.

2 Basis of presentation and significant accounting policies

(a) Basis of presentation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting". These interim consolidated financial statements do not include all of the information required for full annual financial statements. The interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on May 9, 2017.

(b) Significant accounting estimates and judgements

The preparation of consolidated 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 an ongoing 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 consolidated financial statements in future periods could be material. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are outlined in note 2 of the Company's annual consolidated financial statements for the year ended December 31, 2016.

(c) Significant accounting policies

The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and accompanying notes for the year ended December 31, 2016. These interim consolidated financial statements have been prepared following the same accounting policies as described in note 2 of the Company's annual consolidated financial statements for the year ended December 31, 2016.

Accounting standards issued but not yet applied

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

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

3 Acquisitions

Spartan completed a minor resource property acquisition during the three months ended March 31, 2017 ($4.6 million was allocated to exploration and evaluation assets, $2.1 million was allocated to properties and equipment and $0.2 million was allocated to decommissioning liabilities).

4 Exploration and evaluation assets

	As at March 31, 2017	Year Ended December 31, 2016
Balance, beginning of period	$ 56,757	$ 24,006
Acquisitions - corporate	-	1,605
Acquisitions – resource properties	4,550	20,274
Additions	1,310	15,898
Exploration and evaluation expense	(1,138)	(4,600)
Transfer to properties and equipment	(346)	(725)
Change in decommissioning liabilities (note 8)	60	299
Balance, end of period	**$ 61,193**	**$ 56,757**

Exploration and evaluation ("E&E") assets consist of Spartan's undeveloped land and exploration projects which are pending the determination of proved or probable reserves. Additions represent Spartan's share of costs incurred on E&E assets during the period. For the three months ended March 31, 2017, the Company recognized a charge to earnings of $1.1 million for the cost of undeveloped land expiries during the period (March 31, 2016 - $1.1 million). There were no indicators of impairment to the Company's E&E assets as at March 31, 2017.

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

5 Properties and equipment

Cost:	Petroleum and natural gas assets	Office equipment	Total
Balance, as at December 31, 2015	$ 1,003,291	$ 1,192	$ 1,004,483
Acquisitions- corporate	52,755	-	52,755
Acquisitions – resource properties	826,194	-	826,194
Additions – petroleum and natural gas assets	60,818	-	60,818
Additions- assets under finance lease	32,500	-	32,500
Transfer from E&E assets	725	-	725
Change in decommissioning liabilities (note 8)	52,819	-	52,819
Balance as at December 31, 2016	**$ 2,029,102**	**$ 1,192**	**$ 2,030,294**
Accumulated depletion and depreciation:			
Balance, as at December 31, 2015	$ 243,144	$ 553	$ 243,697
Depletion on resource assets	101,838	-	101,838
Depreciation on assets under finance lease	1,354	-	1,354
Depreciation on office assets	-	74	74
Balance as at December 31, 2016	**$ 346,336**	**$ 627**	**$ 346,963**
Properties and equipment as at December 31, 2016	**$ 1,682,766**	**$ 565**	**$ 1,683,331**

Cost:	Petroleum and natural gas assets	Office equipment	Total
Balance, as at December 31, 2016	$ 2,029,102	$ 1,192	$ 2,030,294
Acquisitions - resource properties	2,088	-	2,088
Additions – petroleum and natural gas assets	42,578	-	42,578
Transfer from E&E assets	346	-	346
Change in decommissioning liabilities (note 8)	2,829	-	2,829
Balance as at March 31, 2017	**$ 2,076,943**	**$ 1,192**	**$ 2,078,135**
Accumulated depletion and depreciation:			
Balance, as at December 31, 2016	$ 346,336	$ 627	$ 346,963
Depletion on resource assets	42,853	-	42,853
Depreciation on assets under finance lease	1,016	-	1,016
Depreciation on office assets	-	14	14
Balance as at March 31, 2017	**$ 390,205**	**$ 641**	**$ 390,846**
Properties and equipment as at March 31, 2017	**$ 1,686,738**	**$ 551**	**$ 1,687,289**

For the three months ended March 31, 2017, approximately $0.9 million of directly attributable general and administrative costs and $0.5 million of directly attributable stock-based compensation were capitalized to properties and equipment (December 31, 2016 - 2.7 million and 1.0 million respectively).

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

At March 31, 2017, future development costs of $749.6 million associated with proved plus probable undeveloped reserves are included in costs subject to depletion (December 31, 2016 – $766.4 million).

There were no indicators of impairment to the Company's properties and equipment and no indicators of reversal of prior period impairments as at March 31, 2017.

6 Bank debt

As at March 31, 2017, the Company had available a $350 million (December 31, 2016 - $350 million) syndicated revolving demand credit facility with six Canadian chartered banks. 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 redetermination test performed at least annually, primarily based on reserves, using commodity prices estimated by the lender, as well as other factors. If a borrowing base shortfall is identified during a borrowing base redetermination, the portion drawn above the borrowing base is required to be repaid within 60 days. The Company is not subject to any financial covenants under the credit facility. As at March 31, 2017 and December 31, 2016, 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, 2017 the Company had $203.5 million drawn on the facility, excluding the letter of guarantee discussed below (December 31, 2016 - $217.9 million).

As at March 31, 2017 the Company had a letter of guarantee outstanding in the amount of $2.5 million against the credit facility (December 31, 2016 - $2.5 million).

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

7 Finance lease obligations

As part of the acquisition of Wyatt in 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 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 the committed volumes, ensures the third party a return on capital over the eight year term of the agreement. The contract is considered a finance lease under IAS 17 and is recognized as a liability on the consolidated statements of financial position. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The terms of the contract provide Spartan with the right to obtain substantially all of the economic benefits from the use of the plant over the length of the contract. The finance lease bears interest at an implicit rate of 5.64 percent.

	As at March 31, 2017	Year Ended December 31, 2016
Current liability	4,360	4,294
Non-current liability	25,736	26,830
Finance lease obligations	**$ 30,096**	**$ 31,124**

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

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

Year	As at March 31, 2017
2017	4,479
2018	5,944
2019	5,944
2020	5,961
2021	5,026
Thereafter	8,528
	$ 35,882

8 Decommissioning liabilities

The Company's future decommissioning liabilities were estimated by management based on the Company's working interest in its wells and facilities, estimated costs to remediate, reclaim and abandon the wells and facilities and estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the decommissioning liabilities based on undiscounted total future liabilities of $372.8 million (December 31, 2016 – $368.0 million). These payments are expected to be incurred over the next 20 to 30 years. At March 31, 2017, a risk-free rate of 2.31 percent (December 31, 2016 – 2.31 percent) and an inflation rate of 2.0 percent (December 31, 2016 – 2.0 percent) were used to calculate the net present value of the decommissioning liabilities.

	As at March 31, 2017	Year Ended December 31, 2016
Decommissioning liabilities, beginning of period	$ 229,364	$ 110,910
Acquired - corporate	-	2,281
Acquired – resource properties	180	60,225
Liabilities incurred	2,492	5,203
Accretion expense	1,306	2,830
Revaluation of liabilities acquired[(1)]	256	96,589
Change in estimates[(2)]	141	(48,674)
Decommissioning liabilities, end of period	**$ 233,739**	**$ 229,364**

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

(2) Change in estimates is a result of working interest changes to some of the Company's wells during the period.

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

9 Share capital

Authorized
Unlimited number of voting common shares.
Unlimited number of preferred shares, issuable in series.

Issued and outstanding

	Number of shares	Amount ($ thousands)
Common Shares		
Balance as at December 31, 2015	**265,093,225**	**642,052**
Issue of common shares	246,205,875	719,629
Issued for acquisitions – corporate (note 3)	11,416,035	36,417
Issued for acquisitions – resource properties (note 3)	2,323,767	7,297
Exercise of warrants	10,000	12
Exercise of stock options	356,335	1,667
Exercise of restricted share units	397,685	1,336
Less share issue costs (net of tax of $6,835)	-	(18,478)
Balance as at December 31, 2016	**525,802,922**	**1,389,932**
Exercise of warrants	833,333	1,023
Exercise of stock options	275,666	1,046
Exercise of restricted share units	22,333	69
Balance as at March 31, 2017	**526,934,254**	**1,392,070**

Shares issued for cash

On December 8, 2016, the Company closed a bought-deal equity financing of 95,852,500 common shares at a price of $3.00 per common share for gross proceeds of approximately $287.6 million.

On December 7, 2016, the Company closed a private placement equity financing of 85,000,000 common shares at a price of $3.00 per common share for gross proceeds of approximately $255.0 million.

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

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

Shares issued pursuant to corporate acquisitions

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

Shares issued pursuant to resource property acquisitions

On May 30, 2016, Spartan acquired certain interests in undeveloped land and producing petroleum and natural gas properties for total consideration of $9.4 million including the issuance of 2,323,767 common shares of Spartan.

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

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

	Three months ended March 31,	
	2017	2016
Weighted average outstanding common shares (1)		
Basic	**525,908,815**	272,115,357
Diluted	**551,164,110**	272,115,357

(1) Per share information is calculated on the basis of the weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using a method which assumes that any proceeds received by the Company upon the exercise of in-the-money stock options or warrants plus unamortized share-based compensation expense would be used to buy back common shares at the average market price for the period. The calculation of the diluted net loss per share for the three months ended March 31, 2016 excludes the effect of all stock options, restricted share units and warrants as the impact would be anti-dilutive due to the net loss realized. If the Company had reported net income for the three months ended March 31, 2016, the total weighted average diluted common shares outstanding would be 293,372,724.

Warrants

Warrants outstanding at March 31, 2017 are presented below. As at March 31, 2017, all warrants are vested and exercisable at a weighted average exercise price of $0.80. The warrants were issued in 2013 with a five year term expiring in December of 2018. There were no warrants issued during the three months ended March 31, 2017.

	Number of warrants	Weighted Average Exercise price	Amount ($ thousands)
Balance at December 31, 2015	**31,246,249**	**$ 0.80**	**13,343**
Warrants exercised	(10,000)	(0.80)	(4)
Balance at December 31, 2016	**31,236,249**	**$ 0.80**	**13,339**
Warrants exercised	(833,333)	(0.80)	(356)
Balance at March 31, 2017	**30,402,916**	**$ 0.80**	**12,983**

10 Stock-based compensation

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

Options outstanding at March 31, 2017 are presented below. As at March 31, 2017, 7,607,945 options are vested and exercisable at a weighted average exercise price of $2.92 per common share. There were no stock options granted during the three months ended March 31, 2017.

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

	Number of Options	Remaining Life (years)	Weighted Average Exercise Price
Balance, December 31, 2015	**12,100,000**	**3.55**	**$ 2.96**
Exercised	(356,335)	(2.48)	(2.87)
Forfeited	(661,665)	(2.79)	(3.30)
Balance, December 31, 2016	**11,082,000**	**2.54**	**$ 2.95**
Exercised[(1)]	(275,666)	(1.81)	(2.43)
Forfeited	(60,667)	(2.97)	(2.69)
Balance, March 31, 2017	**10,745,667**	**2.30**	**$ 2.96**

(1) The weighted average price of the Company's common shares on the 2017 exercise dates was $3.05 per common share.

For the three months ended March 31, 2017, approximately $0.2 million in stock-based compensation related to stock options was recognized as an expense and $0.1 million in stock-based compensation related to stock options was capitalized to properties and equipment (March 31, 2016 – $1.0 million and $0.2 million respectively).

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

As at March 31, 2017 there were 3,344,203 RSUs outstanding, none of which were vested and exercisable.

	Number of Restricted Share Units
Balance, December 31, 2015	**-**
Granted	1,553,566
Exercised	(397,685)
Forfeited	(9,000)
Balance, December 31, 2016	**1,146,881**
Granted	2,229,655
Exercised[(1)]	(22,333)
Forfeited	(10,000)
Balance, March 31, 2017	**3,344,203**

(1) The weighted average price of the Company's common shares on the 2017 exercise dates was $2.39 per common share.

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

For the three months ended March 31, 2017, approximately $1.4 million in stock-based compensation related to RSUs was recognized as an expense and $0.4 million in stock-based compensation related to RSUs was capitalized to properties and equipment (March 31, 2016 – nil and nil respectively).

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

11 Income taxes

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

Three months ended March 31		**2017**		**2016**
Income (loss) before income taxes	$	927	$	(17,293)
Combined federal and provincial income tax rate		27.00%		27.00%
Computed income tax expense (recovery)		250		(4,669)
Tax effects of:				
Stock-based compensation		433		257
Deferred income tax expense (recovery) for the period	**$**	**683**	**$**	**(4,412)**

As at March 31, 2017 the Corporation had approximately $1.8 billion of tax pools and losses available to reduce future taxable income (December 31, 2016 - $1.8 billion).

12 Supplemental cash flow information

Changes in non-cash working capital		**Three months Ended March 31, 2017**		**Three months Ended March 31, 2016**
Change in trade and other receivables	$	(12,323)	$	(1,008)
Change in prepaid expenses and deposits		(396)		(148)
Change in trade and other liabilities		27,837		367
	$	**15,118**	**$**	**(789)**
Relating to:				
Operating activities	$	(3,576)	$	(13,581)
Investing activities		18,694		12,792
	$	**15,118**	**$**	**(789)**

13 Financial instruments & Risk management

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

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

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

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward rates for interest rate, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

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

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

As at March 31, 2017, there are no financial derivative contracts outstanding. Financial derivative contracts are recognized at fair value through profit and loss.

The carrying value of the finance lease obligations approximates the fair value. The interest rate implicit in the lease is 5.64%.

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

For the purposes of determining whether impairment of the Company's exploration and evaluation assets has occurred, and the extent of any impairment or reversal, management exercises judgment in estimating the recoverable amount, which is based primarily on recent and relevant market transactions. The fair value less costs of disposal and value in use estimates are categorized as Level 3.

Spartan's risk management policies are established to identify and analyze the risks faced by the Company, set appropriate limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are consistent with those discussed in note 14 of the Company's audited consolidated financial statements for the year ended December 31, 2016.

Capital Management

The Corporation's objective when managing capital is to maintain a capital structure which allows the Company to execute its growth strategy through strategic acquisitions and expenditures on exploration and development activities, while maintaining a strong statement of financial position. The Company evaluates its ability to carry on business as a going concern on a quarterly basis. The Company considers its capital structure to include share capital and net debt (defined as bank debt plus trade and other liabilities plus finance lease obligations less current assets). Spartan manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. In order to maintain or adjust the capital structure, the Company may adjust capital spending, issue new shares, issue new debt or repay existing debt to manage current and projected debt levels.

Spartan manages and monitors its capital structure and short-term financing requirements using the ratio of net debt to 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 from acquisitions and decommissioning expenditures incurred. This metric is used to monitor the Company's overall debt position and monitor the strength of the Company's statement of financial position.

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

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

14 Commitments

As at March 31, 2017 Spartan was committed to future minimum payments as follows:

	2017	2018	2019	2020	2021	Thereafter	Total
Operating lease – office[1]	1,314	292	-	-	-	-	1,606
Pipeline transportation[2,3]	990	1,453	1,572	1,310	-	-	5,325
Gas processing[2,4]	4,479	5,944	5,944	5,961	5,026	8,528	35,882
	6,783	**7,689**	**7,516**	**7,271**	**5,026**	**8,528**	**42,813**

(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).