Spartan Energy Corp.

Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

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

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

		March 31 2018		December 31 2017
Assets				
Current assets				
Cash and cash equivalents	**$**	**34**	$	18
Trade and other receivables		**55,123**		47,658
Prepaid expenses and deposits		**3,489**		3,731
Total current assets		**58,646**		51,407
Non-current assets				
Exploration and evaluation assets (note 4)		**58,665**		57,036
Properties and equipment (note 5)		**1,533,393**		1,702,603
Deferred income tax asset (note 11)		**131,069**		83,453
Total non-current assets		**1,723,127**		1,843,092
Total Assets	**$**	**1,781,773**	$	1,894,499
Liabilities				
Current liabilities				
Trade and other liabilities	**$**	**89,101**	$	69,943
Finance lease obligations (note 7)		**4,549**		4,548
Total current liabilities		**93,650**		74,491
Non-current liabilities				
Bank debt (note 6)		**168,565**		180,668
Finance lease obligations (note 7)		**20,852**		22,282
Decommissioning liabilities (note 8)		**295,063**		286,470
Total non-current liabilities		**484,480**		489,420
Total Liabilities		**578,130**		563,911
Equity				
Share capital (note 9)	**$**	**1,398,644**	$	1,398,587
Contributed surplus		**40,327**		33,566
Warrants		**12,939**		12,944
Deficit		**(248,256)**		(114,507)
Accumulated other comprehensive loss		**(11)**		(2)
Total Equity		**1,203,643**		1,330,588
Total Liabilities and Equity	**$**	**1,781,773**	$	1,894,499

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.

Consolidated Statements of Comprehensive Income (Loss)

For the three months ended March 31

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

		Three months Ended March 31 2018		Three months Ended March 31 2017
Revenue				
Revenue from contracts with customers (note 15)	**$**	**123,776**	$	103,924
Royalties		**(20,401)**		(16,266)
		103,375		87,658
Expenses				
Operating and transportation		**34,418**		33,907
Exploration and evaluation expense (note 4)		**150**		1,138
General and administrative		**875**		2,057
Stock-based compensation		**5,010**		1,602
Transaction costs		**142**		167
Impairment (note 5)		**193,915**		-
Depletion and depreciation (note 5)		**46,214**		43,883
		280,724		82,754
Finance expense:				
Interest expense		**2,397**		2,671
Accretion on decommissioning liabilities (note 8)		**1,619**		1,306
		4,016		3,977
Income (loss) before income taxes		**(181,365)**		927
Deferred income tax expense (recovery) (note 11)		**(47,616)**		683
Net income (loss) for the period	**$**	**(133,749)**	$	244
Other comprehensive loss				
Foreign currency translation on foreign operations		**(9)**		-
Comprehensive income (loss) for the period	**$**	**(133,758)**	$	244
Earnings (loss) per share[(1)] Basic	**$**	**(0.76)**	$	0.00
Diluted	**$**	**(0.76)**	$	0.00

(1) Comparatives have been restated to reflect the share consolidation that occurred on June 20, 2017. See note 9.

Spartan Energy Corp.

Consolidated Statements of Changes in Equity

For the three months ended March 31

(unaudited - in thousands of Canadian dollars)

	Share capital	Contributed surplus	Warrants	Deficit	Accumulated other comprehensive loss	Total
Balance - January 1, 2018	**$ 1,398,587**	**$ 33,566**	**$ 12,944**	**$ (114,507)**	**$ (2)**	**$ 1,330,588**
Changes during period:						
Net loss	-	-	-	(133,749)	-	(133,749)
Exercise of warrants	15	-	(5)	-	-	10
Exercise of stock options	-	-	-	-	-	-
Exercise of restricted share units	42	(56)	-	-	-	(14)
Stock-based compensation	-	6,817	-	-	-	6,817
Foreign currency translation on foreign operations	-	-	-	-	(9)	(9)
Balance - March 31, 2018	**$ 1,398,644**	**$ 40,327**	**$ 12,939**	**$ (248,256)**	**$ (11)**	**$ 1,203,643**
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**

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

(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, 2016	$ 2,029,102	$ 1,192	$ 2,030,294
Acquisitions – resource properties	35,158	-	35,158
Additions – petroleum and natural gas assets	145,439	-	145,439
Transfer from E&E assets	2,445	-	2,445
Change in decommissioning liabilities (note 8)	49,500	-	49,500
Balance as at December 31, 2017	**$ 2,261,644**	**$ 1,192**	**$ 2,262,836**
Accumulated depletion and depreciation:			
Balance, as at December 31, 2016	$ 346,336	$ 627	$ 346,963
Depletion on resource assets	179,860	-	179,860
Depreciation on assets under finance lease	4,063	-	4,063
Depreciation on office assets	-	47	47
Impairment of petroleum and natural gas assets	29,300	-	29,300
Balance as at December 31, 2017	**$ 559,559**	**$ 674**	**$ 560,233**
Properties and equipment as at December 31, 2017	**$ 1,702,085**	**$ 518**	**$ 1,702,603**

Cost:	Petroleum and natural gas assets	Office equipment	Total
Balance, as at December 31, 2017	$ 2,261,644	$ 1,192	$ 2,262,836
Acquisitions - resource properties	4,621	-	4,621
Additions – petroleum and natural gas assets	60,286	-	60,286
Assets under finance lease	(351)	-	(351)
Transfer from E&E assets	4	-	4
Change in decommissioning liabilities (note 8)	6,359	-	6,359
Balance as at March 31, 2018	**$ 2,332,563**	**$ 1,192**	**$ 2,333,755**
Accumulated depletion and depreciation:			
Balance, as at December 31, 2017	$ 559,559	$ 674	$ 560,233
Depletion on resource assets	45,158	-	45,158
Depreciation on assets under finance lease	1,002	-	1,002
Depreciation on office assets	-	54	54
Impairment of petroleum and natural gas assets	193,915	-	193,915
Balance as at March 31, 2018	**$ 799,634**	**$ 728**	**$ 800,362**
Properties and equipment as at March 31, 2018	**$ 1,532,929**	**$ 464**	**$ 1,533,393**

For the three months ended March 31, 2018, approximately $0.9 million of directly attributable general and administrative costs and $1.8 million of directly attributable stock-based compensation were capitalized to properties and equipment (December 31, 2017 – $3.5 million and $1.3 million respectively).

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

At March 31, 2018, future development costs of $779.3 million associated with proved plus probable undeveloped reserves are included in costs subject to depletion (December 31, 2017 – $810.7 million).

In accordance with IAS 36, the Company assessed, for each 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 an arrangement agreement ("Arrangement") with Vermillion Energy Inc. ("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 (see note 16 Subsequent events). 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**

At a future date, if there is an indicator that a previously recognized impairment charge may no longer exist, the recoverable amount of the CGU will be reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, if no impairment loss had been recognized.

6 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.

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

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.

7 Finance lease obligations

As part of the acquisition of Wyatt Oil and Gas Inc. 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 5.67 percent.

	Three months Ended March 31, 2018	Year Ended December 31, 2017
Current liability	4,549	4,548
Non-current liability	20,852	22,282
Finance lease obligations	**$ 25,401**	**$ 26,830**

Refer to note 14 for the required minimum lease payments under the Company's finance lease obligations.

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 $502.7 million (December 31, 2017 – $464.2 million). These payments are expected to be incurred over the next 24 to 29 years. At March 31, 2018, a risk-free rate of 2.23 percent (December 31, 2017 – 2.26 percent) and an inflation rate of 2.0 percent (December 31, 2017 – 2.0 percent) were used to calculate the net present value of the decommissioning liabilities.

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

	Three months Ended March 31, 2018	Year Ended December 31, 2017
Decommissioning liabilities, beginning of period	$ 286,470	$ 229,364
Acquired – resource properties	606	2,788
Liabilities incurred	2,433	7,751
Accretion expense	1,619	5,535
Revaluation of liabilities acquired(1)	1,185	5,555
Change in estimates	2,750	36,299
Settlements	-	(822)
Decommissioning liabilities, end of period	**$ 295,063**	**$ 286,470**

(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.*

9 Share capital

Authorized

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

Issued and outstanding

Common share consolidation

On June 20, 2017, the Company completed a share consolidation of the Company's issued and outstanding common shares on the basis of one post-consolidation common share for every three pre-consolidation common shares issued and outstanding. As required under IFRS, all common shares, warrants, options and restricted share units and income (loss) per share amounts have been restated to give retrospective effect to the share consolidation.

	Number of shares	Amount ($ thousands)
Common Shares		
Balance as at December 31, 2016(1)	**175,267,641**	**1,389,932**
Issued for acquisitions – resource properties	1,136,364	7,295
Exercise of warrants	308,330	1,135
Exercise of stock options	91,889	1,046
Exercise of restricted share units	26,592	183
Cancellation of common shares	(55,012)	-
Common shares repurchased	(160,000)	(989)
Less share issue costs (net of tax of $5)	-	(15)
Balance as at December 31, 2017	**176,615,804**	**1,398,587**
Exercise of warrants	4,000	15
Exercise of restricted share units	7,202	42
Balance as at March 31, 2018	**176,627,006**	**1,398,644**

(1) *Number of shares have been restated on a three for one basis to reflect the share consolidation that occurred on June 20, 2017.*

(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,	
	2018	2017
Weighted average outstanding common shares (1)(2)		
Basic	**176,620,663**	175,302,938
Diluted	**176,620,663**	183,721,370

(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, 2018 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, 2018, the total weighted average diluted common shares outstanding would be 185,050,997.*

(2) *Number of shares have been restated on a three for one basis to reflect the share consolidation that occurred on June 20, 2017.*

Warrants

Warrants outstanding at March 31, 2018 are presented below. As at March 31, 2018, all warrants are vested and exercisable at a weighted average exercise price of $2.40. 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, 2018.

	Number of warrants	Weighted Average Exercise price	Amount ($ thousands)
Balance at December 31, 2016(1)	**10,412,083**	**$ 2.40**	**13,339**
Warrants exercised	(308,330)	(2.40)	(395)
Balance at December 31, 2017	**10,103,753**	**$ 2.40**	**12,944**
Warrants exercised	(4,000)	(2.40)	(5)
Balance at March 31, 2018	**10,099,753**	**$ 2.40**	**12,939**

(1) *Number of warrants have been restated on a three for one basis to reflect the share consolidation that occurred on June 20, 2017.*

10 Stock-based compensation

Stock options

The term and vesting period of the stock options granted were determined at the discretion of the Board of Directors. The stock options granted have an exercise price based on the trailing 5-day volume weighted average price of the Company's common shares and all stock options outstanding have a maximum term of five years from the grant date.

Options outstanding at March 31, 2018 are presented below. As at March 31, 2018, 3,256,667 options are vested and exercisable at a weighted average exercise price of $8.85 per common share. There were no stock options granted during the three months ended March 31, 2018.

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

	Number of Options	Remaining Life (years)	Weighted Average Exercise Price
Balance, December 31, 2016[(1)]	**3,694,000**	**2.54**	**$ 8.85**
Exercised	(91,889)	(1.82)	(7.28)
Forfeited	(323,222)	(1.98)	(9.18)
Balance, December 31, 2017	**3,278,889**	**1.53**	**$ 8.85**
Exercised	-	-	-
Forfeited	-	-	-
Balance, March 31, 2018	**3,278,889**	**1.28**	**$ 8.85**

(1) Number of stock options have been restated on a three for one basis to reflect the share consolidation that occurred on June 20, 2017.

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, 2018 there were 2,178,106 RSUs outstanding, 330,121 of which were vested and exercisable.

	Number of Restricted Share Units
Balance, December 31, 2016[(1)]	**382,294**
Granted	775,969
Exercised	(26,592)
Forfeited	(55,329)
Balance, December 31, 2017	**1,076,342**
Granted	1,113,438
Exercised	(7,202)
Forfeited	(4,472)
Balance, March 31, 2018	**2,178,106**

(1) Number of RSUs have been restated on a three for one basis to reflect the share consolidation that occurred on June 20, 2017.

For the three months ended March 31, 2018, approximately $5.0 million in stock-based compensation related to RSUs was recognized as an expense and $1.8 million in stock-based compensation related to RSUs was capitalized to properties and equipment (March 31, 2017 – 1.4 million and 0.4 million respectively).

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. As at March 31, 2018, Spartan accelerated the vesting period for all outstanding RSUs to May 28, 2018 as a result of the Arrangement with Vermilion (see note 16 Subsequent events). 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. In accordance with IFRS 2, "Share Based Payments", where multiple possible vesting conditions exist, the reporting issuer is required to use a best estimate of the vesting period. As a result, Spartan has re-estimated the vesting period to reflect the assumption that, as a result of the Arrangement, a change of control is the most probable outcome (awards vest automatically upon a change of control). Spartan has therefore recognized additional share-based compensation expense in the current period to accelerate the expense recognition for such awards. The accelerated vesting of the stock-based compensation expense associated with the 2,178,106 outstanding RSUs, resulted in an additional $4.8 million in stock-based compensation expense, of which $1.3 million was capitalized to properties and equipment.

(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	**2018**	**2017**
Income (loss) before income taxes	$ (181,365)	$ 927
Combined federal and provincial income tax rate	27.00%	27.00%
Computed income tax expense (recovery)	(48,969)	250
Tax effects of:		
Stock-based compensation	1,353	433
Deferred income tax expense (recovery) for the period	**$ (47,616)**	**$ 683**

As at March 31, 2018 the Corporation had approximately $1.7 billion of tax pools and losses available to reduce future taxable income (December 31, 2017 - $1.8 billion).

12 Supplemental cash flow information

Changes in non-cash working capital	**Three months Ended March 31, 2018**	**Three months Ended March 31, 2017**
Change in trade and other receivables	$ (7,465)	$ (12,323)
Change in prepaid expenses and deposits	242	(396)
Change in trade and other liabilities	19,158	27,837
	$ 11,935	**$ 15,118**
Relating to:		
Operating activities	$ (1,314)	$ (3,576)
Investing activities	13,249	18,694
	$ 11,935	**$ 15,118**

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, 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.

The carrying value of the finance lease obligations approximates the fair value. The interest rate implicit in the lease is 5.67%.

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 13 of the Company's audited consolidated financial statements for the year ended December 31, 2017.

Credit risk

Credit risk is the risk of financial loss to Spartan if a partner or counterparty to a product sales contract fails to meet its contractual obligations. Spartan is exposed to credit risk with respect to its trade and other receivables, which consist of receivables related to oil and gas sales, and receivables related to joint interest partner billings. Spartan manages credit risk associated with trade and other receivables by entering into contracts with creditworthy counterparties and by limiting exposure to any one counterparty. Spartan verifies counterparty creditworthiness through internal evaluation, third party rating agencies or by requiring letters of credit as security.

As at March 31, 2018, Spartan had $55.1 million in trade and other receivables outstanding. The majority of the credit exposure on the trade and other receivables outstanding at March 31, 2018 pertained to accrued oil and gas sales for March 2018 production volumes. The Company's light oil, natural gas and natural gas liquids are purchased by commodity marketers who typically remit payment amounts to Spartan by the 25th day of the month following production. At March 31, 2018, two purchasers of the Company's commodities accounted for approximately 41 percent and 37 percent of the total trade and other receivables balance outstanding and are not considered a credit risk. Joint interest billing receivables are typically collected within one to three months following production.

Spartan monitors the exposure to any single counterparty along with its financial position. If it is deemed that a counterparty's creditworthiness has been reduced, Spartan will work to reduce the credit exposure to that counterparty. Spartan applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss provision for all trade and other receivables. Prior credit losses in the collection of trade and other receivables by Spartan have been negligible and the Company does not anticipate any significant future credit losses based on forward looking information. Accordingly, no provision has been recorded for expected credit losses.

When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amounts. Spartan considers all amounts greater than 90 days to be past due. As at March 31, 2018, 2 percent of the Company’s trade and other receivables were aged over 90 days. Spartan does not consider this to be a material credit risk and expects to collect these receivable balances outstanding.

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, 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 Finance lease obligations).

15 Disaggregation of revenue from contracts with customers

For the three months ended March 31, 2018 and March 31, 2017, oil and gas sales were broken down into the following products.

($ thousands)	2018	2017
Light crude oil	118,186	99,780
Natural gas	2,918	2,644
Natural gas liquids	2,672	1,500
Total	**123,766**	**103,924**

16 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.

The terms of the Company's credit facility agreement specify that the Company is required to obtain the consent of its syndicate of lenders in the event of a Change in Control. Without consent of the lenders, the Company's bank debt is due on demand. As at March 31, 2018, Spartan did not require the consent of its syndicate of lenders as the Arrangement with Vermilion was not executed until subsequent to the quarter-end date. As a result, the Company continues to classify bank debt as a non-current liability in the Statements of Financial Position for the three months ended March 31, 2018.