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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, August 10, 2016 and is management's assessment of the Company's financial and operating results for the quarter ended June 30, 2016. This MD&A should be read in conjunction with the interim consolidated financial statements and related notes thereto of the Company for the quarter ended June 30, 2016 and the audited consolidated financial statements and related notes thereto for year ended December 31, 2015. All financial measures are expressed in Canadian dollars unless otherwise indicated. The interim consolidated financial statements were prepared under International Accounting Standard (IAS) 34 interim Financial Reporting as issued by the international Accounting Standards Board, which is within Part 1 of the Canadian Institute of Chartered Accountants handbook, which itself is within the framework of International Financial Reporting Standards (IFRS). The results for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for any future period, or for the fiscal year ended December 31, 2015. Additional information on the financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in reports, including the Company's Annual Information Form, on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

REPORTING ENTITY

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

BASIS OF PRESENTATION

The interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). For a summary of the Company's detailed accounting policies, refer to note 2 of the Company's December 31, 2015 consolidated financial statements. This MD&A compares the results of the three months ended June 30, 2016 ("Q2 2016") to the three months ended June 30, 2015 ("Q2 2015") as well as the six months ended June 30, 2016 to the six months ended June 30, 2015. The terms "second quarter of 2016" and "same period of 2015" or similar terms are used throughout this document and refer to the three month periods ended June 30, 2016 and 2015, respectively.

READER ADVISORIES

BOE Disclosure

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

Forward Looking Statements

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

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

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

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

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

NON-IFRS MEASURES

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

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

(\$ thousands)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Cash flow from operating activities	10,815	22,044	(51)	5,838	40,423	(86)
Transaction costs	565	2	28,150	565	2	28,150
Changes in non-cash working capital	4,885	220	2,120	18,466	(4,644)	(498)
Funds flow from operations	16,265	22,266	(27)	24,869	35,781	(30)

Net debt is calculated as bank debt plus current liabilities (excluding bank debt) less current assets. The following table reconciles bank debt (an IFRS measure) to net debt (a non-IFRS measure):

(\$ thousands)	June 30, 2016	December 31, 2015
Bank debt	100,027	85,516
Trade and other liabilities	23,081	17,864
Current assets	(22,749)	(17,052)
Net Debt	100,359	86,328

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

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

RESULTS OF OPERATIONS

Q2 2016 Highlights:

Spartan's highlights for the second quarter ended June 30, 2016 include:

- Successfully closed three light oil acquisitions in the quarter consolidating the Company's position in its southeast Saskatchewan core area.
- Added approximately 2,980 boe/d of light oil production, 8.7MMboe of proved developed producing reserves, 106,572 net acres of land and 234 net drilling locations from the three acquisitions.
- Achieved average production of 9,080 boe/d, comprised of 94% oil and liquids, a 4 percent increase over the second quarter of 2015.
- Reduced operating and transportation costs to \$15.04 per boe from \$16.13 per boe in the second quarter of 2015.
- Realized an operating netback of \$22.23 per boe, resulting in quarterly funds flow from operations of \$16.3 million (\$0.05 per basic and diluted share).
- Maintained our balance sheet strength, with net debt at the end of the quarter of approximately \$100.4 million and available liquidity of approximately \$49.6 million.

Production

For the three month period ended June 30, 2016, Spartan achieved average total production of 9,080 boe/d compared to 8,710 boe/d for the same period in 2015, a 4 percent increase. Average production for the six months ended June 30, 2016 of 9,381 boe/d was 4 percent higher than production for the six months ended June 30, 2015 of 9,055 boe/d. The increase in average total production is a result of the Company's successful 2015 and 2016 development drilling programs and additional gas and NGLs production from the Company's fracture stimulated Midale wells primarily in the Pinto area of southeast Saskatchewan. The Company's second quarter production also includes approximately 150 boe/d for the month of June 2016 from the Company's Winmore area acquisition which closed on May 30, 2016.

Average production for the three months ended June 30, 2016 of 9,080 boe/d was 6 percent lower than production for the three months ended March 31, 2016 of 9,683 boe/d as a result of decreased production caused by natural well declines and limited development drilling activity in the second quarter due to spring break up conditions Saskatchewan.

	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Crude Oil (bbls/d)	7,971	8,015	(1)	8,367	8,372	-
Natural Gas (mcf/d)	4,155	3,353	24	3,768	3,129	20
Liquids (bbls/d)	416	136	206	386	161	140
Total (boe/d)	9,080	8,710	4	9,381	9,055	4

Oil and Gas Sales

Oil and gas sales for the three month period ended June 30, 2016 decreased 19 percent to \$36.2 million from \$44.8 million for the three month period ended June 30, 2015. For the six months ended June 30, 2016, oil and gas sales decreased by 22 percent to \$64.2 million from \$82.5 million for the same period in the prior year. The decrease in oil and gas sales for the three and six months ended June 30, 2016 was caused by a significant decline in commodity prices resulting in a decrease in the Company's realized price for oil and gas sales. The Company's realized price for oil and gas sales in the second quarter of 2016 decreased by 23 percent compared to the second quarter of 2015. The price decline was offset by an increase in production volumes from the second quarter of 2015 to the second quarter of 2016.

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

(\$ thousands, except per boe amounts)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Oil and gas sales by product:						
Light crude oil	35,216	43,877	(20)	62,406	80,500	(22)
Natural gas	482	691	(30)	1,011	1,371	(26)
Natural gas liquids	519	254	104	794	623	27
Total oil and gas sales	36,217	44,822	(19)	64,211	82,494	(22)
Total oil and gas sales (\$/boe) ⁽¹⁾	43.83	56.56	(23)	37.61	50.34	(25)

(1) Prior to realized derivative contracts

Commodity Pricing

All of Spartan's crude oil was sold into the spot market during the three and six months ended June 30, 2016. Spartan's realized price for its light crude oil and NGLs in the second quarter of 2016 was \$46.82/bbl compared to a realized price of \$59.50/bbl for the same period of 2015. For the six months ended June 30, 2016, the Company's realized price for its light crude oil and NGLs was \$39.67/bbl compared to the June 30, 2015 year-to-date realized price of \$52.53/bbl. The Company realized a gas price of \$1.27/mcf for the three months ended June 30, 2016 compared to \$2.27/mcf in the same period of 2015 and a realized price of \$1.47/mcf for the six months ended June 30, 2016 compared to \$2.42/mcf for the same period of 2015.

Spartan's production is sold in Canada and is sensitive to commodity price variation and changes in the Canada/U.S. currency exchange rate as well as quality price differentials. Spartan's price realizations are influenced by changes to various crude benchmarks, including, but not limited to, Canadian LSB at Cromer, Manitoba. Commodity prices are affected by both domestic and international factors that are beyond the control of the Company. In addition, prices received for crude oil and NGLs are determined by the quality of the crude compared to a benchmark price for light oils. The decrease in Spartan's realized price is consistent with the decrease in the Canadian LSB at Cromer, Manitoba benchmark. The 19 percent decrease in the benchmark from Q2 2015 to Q2 2016 is consistent with the 21 percent decrease in the Company's average realized price for light crude oil and NGLs over the same period.

	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Average Benchmark Prices						
Crude oil – WTI (US\$ per bbl)	45.59	57.94	(21)	39.52	53.29	(26)
Crude oil – WTI (CDN\$ per bbl)	58.74	71.20	(18)	52.29	65.77	(20)
Crude oil – Cromer LSB (35 API) (\$ per bbl)	53.13	65.25	(19)	45.74	58.18	(21)
Natural gas – AECO-C Spot (\$ per mcf)	1.42	2.67	(47)	1.62	2.71	(40)
Exchange rate – (US/CAD)	0.78	0.81	(4)	0.75	0.81	(7)
Spartan's Average Realized Prices						
Crude oil and natural gas liquids (\$ per bbl) ⁽¹⁾	46.82	59.50	(21)	39.67	52.53	(24)
Natural gas (\$ per mcf) ⁽¹⁾	1.27	2.27	(44)	1.47	2.42	(39)

(1) Prior to realized derivative contracts

Royalties

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

For the three months ended June 30, 2016, total royalties were \$5.4 million compared to \$6.9 million for the same period of 2015. The Company's average royalty rate for the three months ended June 30, 2016 was 15 percent of sales compared to 15 percent for the same period of 2015. The decrease in royalties from the second quarter of 2015 to the second quarter of 2016 is consistent with the decrease in oil and gas sales over the same period. For the six months ended June 30, 2016, royalties were \$9.4 million, or 15 percent of sales, as compared to \$12.7 million, or 15 percent of sales, for the same period in 2015. The decrease in royalties for the six months ended June 30, 2016 compared to the same periods of 2015 is consistent with the decrease in oil and gas sales over the same period.

(\$ thousands, except per boe amounts)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Royalties	5,413	6,947	(22)	9,400	12,725	(26)
\$ per boe	6.55	8.77	(25)	5.51	7.76	(29)
% of oil and gas sales	15	15	-	15	15	-

Financial Derivative Instruments

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

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

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

(2) NYMEX WTI monthly average price.

The fair value of the Company's derivative contracts was a mark to market liability of \$0.4 million at June 30, 2016 (December 31, 2015 - \$nil).

Operating & Transportation

Operating and transportation costs totaled \$12.4 million, or \$15.04/boe, for the three months ended June 30, 2016 as compared to \$12.8 million, or \$16.13/boe, in the second quarter of 2015. For the six months ended June 30, 2016, operating and transportation costs totaled \$25.4 million, or \$14.86/boe, compared to \$28.7 million, or \$17.52/boe, for the same period in the prior year.

Operating and transportation costs decreased in the first six months of 2016 due to service costs savings realized in the field and lower maintenance expenditures requirements. The continued decline in commodity prices has influenced service companies to revisit their costs as projects become less economic for producers. Spartan has seen a reduction in operating expenses as a result of these service cost reductions. Spartan also experienced reduced well servicing and workover project requirements in the first half of 2016 due to low commodity prices impacting project economics. The decrease in per boe operating and transportation costs was also impacted by the higher production volumes in the first quarter of 2016.

The Company expects operating and transportation expenses to increase in the second half of 2016 due to the acquisition of higher operating cost properties and additional well servicing and facility turnaround costs. Well servicing projects and facility turnarounds were deferred to the second half of the year as commodity price weakness in the first quarter rendered certain workover projects uneconomic and wet weather experienced in the second quarter resulted in limited lease access.

(\$ thousands, except per boe amounts)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Operating and transportation costs	12,423	12,782	(3)	25,369	28,712	(12)
Operating and transportation costs per boe (\$)	15.04	16.13	(7)	14.86	17.52	(15)

General and Administrative Expenses

During the second quarter of 2016, general and administrative expenses (G&A), net of capitalized and overhead recovery amounts, were \$1.8 million, or \$2.23/boe, as compared to the quarter ended June 30, 2015 where net G&A expenses were \$1.9 million, or \$2.45/boe. Gross G&A expenses prior to the effects of capitalized and overhead recoveries amounts were \$3.3 million, or \$4.05/boe, as compared to the quarter ended June 30, 2015 where gross G&A expenses were \$3.3 million, or \$3.87/boe. For the six months ended June 30, 2016, G&A, net of capitalized and overhead recovery amounts was \$3.6 million, or \$2.11/boe, as compared to the June 30, 2015 amounts of \$3.5 million, or \$2.16/boe. Gross G&A expenses prior to the effects of capitalized and overhead recoveries amounts were \$6.7 million, or \$3.90/boe, for the six months ended June 30, 2016 as compared to the same period of 2015 where gross G&A expenses were \$6.6 million, or \$4.00/boe.

G&A expenses were relatively unchanged for the three and six months ended June 30, 2016 compared to the same periods in the prior year.

(\$ thousands, except per boe amounts)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Gross general and administrative expenses	3,343	3,275	2	6,656	6,555	2
Less - recoveries	(877)	(800)	10	(1,824)	(1,940)	(6)
Less - capitalized	(626)	(530)	18	(1,235)	(1,075)	15
General and administrative expenses	1,840	1,945	(5)	3,597	3,540	2
Net general and administrative expenses (\$/boe)	2.23	2.45	(9)	2.11	2.16	(2)
Gross general and administrative expenses (\$/boe)	4.05	3.87	5	3.90	4.00	(3)

Interest Expense

Interest expense, net of interest income, for the three month period ended June 30, 2016 was \$0.3 million compared to \$0.9 million for the same period of 2015. Interest expense, net of interest income, for the six months ended June 30, 2016 was \$1.0 million compared to \$1.7 million for the same period of 2015. The decrease in interest expense for the three and six months ended June 30, 2016, compared to the same periods in 2015, was due to the lower average bank debt outstanding throughout the first and second quarters of 2016 compared to the same quarters in 2015.

(\$ thousands, except per boe amounts)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Interest expense	265	882	(70)	965	1,736	(44)
Interest expense (\$ per boe)	0.32	1.11	(71)	0.57	1.06	(46)

Depletion and Depreciation

For the second quarter of 2016, depletion and depreciation expense was \$21.9 million, or \$26.46/boe, as compared to the quarter ended June 30, 2015 in which the expense was \$24.5 million, or \$30.88/boe. For the six months ended June 30, 2016, depletion and depreciation expense was \$45.1 million, or \$26.42/boe, as compared to the 2015 expense of \$50.6 million, or \$30.89/boe. The decrease in depletion and depreciation expense is due to the impairment charges recorded against the Company's property and equipment in third and fourth quarters of 2015.

(\$ thousands, except per boe amounts)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Total depletion and depreciation	21,864	24,477	(11)	45,107	50,619	(11)
Depletion and depreciation (\$/boe)	26.46	30.88	(14)	26.42	30.89	(14)

Income taxes

As at June 30, 2016 the Company had approximately \$984 million of tax pools and losses available to reduce future taxable income.

(\$thousands of dollars)	June 30, 2016
COPGE	418,669
CDE	141,446
CEE	16,118
FEDE	5
UCC	109,199
CEC	621
Share issue costs	11,770
Tax losses	285,800
Total	983,628

Funds Flow from Operations and Net Loss

For the three months ended June 30, 2016, funds flow from operations decreased by 27 percent to \$16.3 million compared to \$22.3 million during the same period of 2015. Basic and diluted funds flow from operations per share for the quarter was \$0.05 per share compared to \$0.08 per basic and diluted share during the same period of 2015. For the six months ended June 30, 2016, funds flow from operations decreased by 30 percent to \$24.9 million compared to \$35.8 million during the same period of 2015. Basic and diluted funds flow from operations per share for the six months ended June 30, 2016 were \$0.09 per share and \$0.08 per share respectively compared to \$0.14 per basic and \$0.12 per diluted share during the same period of 2015.

The decrease in funds flow from operations for the three and six months ended June 30, 2016 compared to the same periods in the prior year was caused by the decline in commodity prices and the resulting decrease in the Company's realized price for oil and gas sales. Despite higher production and a reduction in operating expenses, the downturn in commodity prices has resulted in lower oil and gas sales and lower funds flow from operations in the first six months of 2016 compared to the same period in 2015.

The Company realized a net loss of \$6.7 million in the second quarter of 2016 compared to a net loss of \$6.4 million for the same period of 2015. The basic and diluted net loss per share for the quarter was \$0.02 compared to a net loss of \$0.02 per basic and diluted share for the three months ended June 30, 2015. The Company realized a net loss of \$19.5 million, or \$0.07 per basic share and diluted share, for the six months ended June 30, 2016 compared to a net loss of \$18.3 million, or \$0.07 per basic and diluted share, in the same period of 2015.

(\$ thousands)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Funds flow from operations	16,265	22,266	(27)	24,869	35,781	(30)
Funds flow from operations per basic share	0.05	0.08	(38)	0.09	0.14	(36)
Funds flow from operations per diluted share	0.05	0.08	(38)	0.08	0.12	(33)
Net loss	(6,659)	(6,387)	4	(19,540)	(18,270)	7
Net loss per basic and diluted share	(0.02)	(0.02)	-	(0.07)	(0.07)	-

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

(\$ per boe)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Oil and gas sales price	43.83	56.56	(23)	37.61	50.34	(25)
Realized loss on derivative contracts	(0.01)	-	n/a	(0.01)	-	-
Net realized oil and gas sales price	43.82	56.56	(23)	37.60	50.34	(25)
Royalties	(6.55)	(8.77)	(25)	(5.51)	(7.76)	(29)
Operating and transportation costs	(15.04)	(16.13)	(7)	(14.86)	(17.52)	(15)
Operating netback	22.23	31.66	(30)	17.23	25.06	(31)
General and administrative expenses	(2.23)	(2.45)	(9)	(2.11)	(2.16)	(2)
Interest expense	(0.32)	(1.11)	(71)	(0.57)	(1.06)	(46)
Corporate netback	19.68	28.10	(30)	14.55	21.84	(33)

Summary of Quarterly Results

Below is summarized quarterly information for the last eight quarters:

Quarterly Summaries (\$ thousands, except per boe and per share amounts)	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Production (boe/d)	9,080	9,683	9,319	8,042
Average realized price (\$/boe) – excluding derivatives	43.83	31.77	43.30	47.40
Oil and gas sales	36,217	27,994	37,124	35,068
Net income (loss)	(6,659)	(12,881)	(26,120)	(33,388)
Earnings per share - basic	(0.02)	(0.05)	(0.10)	(0.13)
Earnings per share – diluted	(0.02)	(0.05)	(0.10)	(0.13)
Funds flow from operations	16,265	8,605	16,166	14,341
Funds Flow from operations per share - basic	0.05	0.03	0.06	0.05
Funds Flow from operations per share - diluted	0.05	0.03	0.06	0.05

Quarterly Summaries (\$thousands of dollars, except per boe amounts)	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Production (boe/d)	8,710	9,402	8,844	7,399
Average realized price (\$/boe) – excluding derivatives	56.56	44.52	65.98	87.09
Oil and gas sales	44,822	37,672	53,683	59,280
Net income (loss)	(6,387)	(11,883)	1,855	6,123
Earnings per share - basic	(0.02)	(0.04)	0.01	0.02
Earnings per share – diluted	(0.02)	(0.04)	0.01	0.02
Funds flow from operations	22,266	13,515	29,823	28,507
Funds Flow from operations per share - basic	0.08	0.05	0.11	0.11
Funds Flow from operations per share - diluted	0.08	0.05	0.10	0.10

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

Spartan grew production from the third quarter of 2014 to the first quarter of 2015. As commodity prices began to deteriorate, Spartan focused on balance sheet strength and cost saving initiatives while spending within funds flow from operations. Spartan continued to drill economic conventional Mississippian open-hole wells, primarily in the Queensdale and Winmore core

areas of southeast Saskatchewan, and fracture stimulated Midale wells in the Pinto core area of southeast Saskatchewan to maintain production. Production stabilized between 8,700 boe/d and 9,700 boe/d in 2015 and the first six months of 2016 as the Company committed to spending within funds flow from operations.

The declining commodity price environment in the second half of 2014 continued through 2015 and the first half of 2016. The resulting decrease in the Company's realized price for oil and gas sales translated into lower quarterly oil and gas sales and funds flow from operations in the first and second quarters of 2016 compared to the same periods in 2015. Spartan's average realized sales price decreased by 41 percent from the year 2014 to the year 2015 and then decreased by 27 percent from the fourth quarter of 2015 to the first quarter of 2016.

Oil prices recovered slightly in the second quarter of 2016 as WTI US averaged \$45.59/bbl in the second quarter of 2016 compared to WTI US \$33.45/bbl in the first quarter of 2016. As a result, Spartan realized a 38 percent increase in its average oil and gas sales price from Q1 2016 to Q2 2016 which translated into a 29 percent increase in oil and gas sales and an 89 percent increase in funds flow from operations from the first quarter of 2016. The increase in oil and gas sales was offset by a lower production average of 9,080 boe/d in the second quarter of 2016 caused by limited drilling activity as a result of the spring break-up period in Saskatchewan.

Spartan's corporate strategy remains unchanged despite continued weakness in commodity prices. Through 2015 and the first half of 2016, Spartan's focus has been preserving balance sheet flexibility by spending within funds flow from operations and taking advantage of acquisition opportunities afforded by the downturn in the commodity cycle. The Company remained diligent through this time period, focusing on acquiring high quality oil assets at a price that will deliver long term value to its shareholders. The Company was able to successfully close a bought-deal equity financing in the first quarter of 2016 and then use a portion of these net proceeds in the second quarter to finance acquisitions. The Company successfully closed the corporate acquisition of Wyatt Oil and Gas Inc. on June 23, 2016 and also successfully closed the Greater Corning-Manor and Winmore asset acquisitions in the second quarter of 2016. The three acquisitions added approximately 2,980 boe/d of light oil production, 8.7 MMboe of proved developed producing reserves, 23.0 MMboe of Proved plus Probable reserves, 106,572 net acres of land and 234 net drilling locations.

At June 30, 2016, following the closing of the three second quarter acquisitions, Spartan's net debt was \$100.4 million with available liquidity of approximately \$49.6 million on the Company's \$150 million credit facility. Spartan management continues to believe that the current economic environment lends itself to preserving capital to deploy on accretive acquisitions, and the Company intends to continue to preserve balance sheet strength by maintaining spending within funds flow from operations in 2016. Spartan will maintain flexibility in its capital program and adjust spending based on prevailing commodity prices, while continuing to seek out opportunities to add additional long term value through accretive acquisitions.

Capital Expenditures

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

(\$ thousands)	For the three months ended June 30,			For the six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Drilling & Completions	3,173	3,507	(10)	14,860	15,928	(7)
Equipment & Facilities	2,309	2,514	(8)	6,678	11,668	(43)
Land & Seismic	761	277	175	1,213	889	36
Other	626	530	18	1,235	1,075	15
Total capital expenditures - excluding acquisitions	6,869	6,828	1	23,986	29,560	(19)
Acquisitions	64,453	-	n/a	64,453	514	12,439
Total capital expenditures - including acquisitions	71,322	6,828	945	88,439	30,074	194

Drilling and completions costs for the three months ended June 30, 2016 were \$3.2 million compared to \$3.5 million for the same period in 2015. For the six months ended June 30, 2016, Spartan incurred \$14.9 million in drilling and completions costs compared to \$15.9 million for the six months ended June 30, 2015.

Spartan drilled 4 (3.5 net) development wells in the second quarter of 2016 after the spring break-up period and brought 2 (2.0 net) of those wells on production by June 30, 2016. As at June 30, 2016, the Company had drilled and 19 (15.6 net) development wells to date in 2016 and had brought 17 (13.6 net) of those wells on production by June 30, 2016. The Company also completed and put on production 7 (5.9 net) Viking wells in west central Saskatchewan in the first quarter that were drilled in the fourth quarter of 2015. Spartan drilled 2 (2.0 net) stratigraphic test wells in southeast Saskatchewan in the second quarter of 2016 that will fulfill a portion of the company's 2015 flow through share capital commitment. A summary of Spartan's drilling activity in the first quarter of 2016 is provided below.

2016 Drilling Program	Development Wells Spud		Development Wells On Production		Exploratory Wells Spud	
	Gross	Net	Gross	Net	Gross	Net
As at June 30, 2016						
Southeast Saskatchewan – Conventional Mississippian	13	11.0	12	10.0	2	2.0
Southeast Saskatchewan – Frac Midale	6	4.6	5	3.6	-	-
West Central Saskatchewan – Frac Viking	-	-	7	5.9	-	-
Total	19	15.6	24	19.5	2	2.0

Spartan incurred \$2.3 million in equipment and facilities capital expenditures in the second quarter of 2016 in the form of new well equipping and tie-in costs, well optimizations and pipeline capital. For the six months ended June 30, 2016, equipment and facilities capital expenditures totaled \$6.7 million. Land and seismic costs for the three and six months ended June 30, 2016 were \$0.8 million and \$1.2 million respectively as the Company continued to maintain its land position in its core areas.

Spartan has executed on its capital program to date in 2016 while spending within funds flow from operations in this low commodity price environment. With the volatility in commodity oil and gas prices, Spartan continues to actively monitor capital spending plans and forecasted cash flows. Capital expenditures are largely discretionary and the flexibility of the capital plan provides the ability to allocate capital as warranted to preserve balance sheet strength. As at June 30, 2016, the Company had spent \$24.0 million in capital expenditures (excluding acquisitions) in 2016 while generating \$24.9 million in funds flow from operations over the six month period.

Wyatt Oil + Gas Inc. Acquisition

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

The acquisition of Wyatt included approximately 1,330 boe/d (76% light oil and liquids) of production focused in the Alameda and Elcott areas of southeast Saskatchewan. An additional 2,300 Mcf/d of natural gas and 130 bbls/d of natural gas liquids are anticipated to be added in October of this year once currently flared gas volumes are tied-in to infrastructure. The assets are comprised of approximately 45 net sections of land prospective for both Midale and Frobisher light oil and are complementary to Spartan's existing southeast Saskatchewan core areas. Spartan has initially identified over 177 (162 net) Mississippian drilling locations across the asset base comprised of 79 (75 net) frac Midale locations and 98 (87 net) open-hole Midale and Frobisher locations.

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

Greater Corning-Manor Acquisition

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

Winmore Acquisition

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

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

Q2 2016 Acquisitions Summary

A summary of the three acquisitions completed in the second quarter of 2016 is as follows:

- Total purchase price of \$148.7 million
- 2,980 boe/d of light oil production (87% oil and liquids)
- 106,572 net acres of land (57 % Crown)
- 234 net drilling locations
- 8.7 MMboe of Proved Developed Producing reserves
- 23.0 MMboe of Proved plus Probable reserves

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

CAPITALIZATION AND CAPITAL RESOURCES

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

Spartan manages and monitors its capital structure and short-term financing requirements using the ratio of net debt to funds flow from operations. Funds flow from operations is calculated based on cash flows from operating activities before changes in non-cash working capital, transaction costs and decommissioning obligation expenditures incurred. This metric is used to monitor the Company's overall debt position and monitor the strength of the Company's statement of financial position. Spartan assumed approximately \$108 million in net debt in acquiring the three acquisitions in the second quarter of 2016. Had these three acquisitions closed on April 1, 2016, an additional \$3.8 million in funds flow from operations would have been realized by the Company for three months ended June 30, 2016. The Company's net debt to annualized funds flow from operations ratio for the second quarter of 2016, inclusive of the estimated additional funds flow from the three acquisitions, was 1.3 times.

Share Capital

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Weighted average outstanding common shares⁽¹⁾				
Basic	306,961,841	264,268,660	289,549,204	264,266,082
Diluted	330,645,588	286,951,191	312,018,839	286,624,756
As at June 30, 2016				
Common shares			319,060,403	
Warrants ⁽²⁾			31,246,249	
Common share options ⁽³⁾			11,204,000	

(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 June 30, 2016.

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

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

(\$ thousands)	Amount
Net debt	100,359
Market capitalization ⁽¹⁾	1,081,615
Total capitalization as at June 30, 2016	1,181,974

(1) As at June 30, 2016, the closing market price of Spartan Energy Corp. shares was \$3.39 per share.

Liquidity

As at June 30, 2016, the Company had available a \$150 million (December 31, 2015 - \$150 million) syndicated revolving demand credit facility with six Canadian chartered banks. Spartan completed its annual borrowing base redetermination on June 15, 2016 and the syndicate of lenders renewed the credit facility at \$150 million. The credit facility bears interest on a grid system which ranges from bank prime plus 1.0 percent to bank prime plus 4.5 percent depending on the Company's debt to EBITDA ratio ranging from less than or equal to 1:1 to greater than 3.5:1. The amount of the facility is subject to a borrowing base test performed at least annually, primarily based on reserves, using commodity prices estimated by the lender, as well as other factors. As at June 30, 2016 the Company was in compliance with all of its covenants.

The credit facility provides that advances may be made by way of direct prime rate loans, USBR loans, LIBOR Loans, bankers' acceptances, letters of credit or letters of guarantee. The facility is secured by a \$1.0 billion debenture and a general security agreement over all the petroleum and natural gas assets of the Company. As at June 30, 2016, the Company had \$100.0 million drawn on the facility, excluding the letter of guarantee discussed below.

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

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

The Company's investment selection process is based on risk analysis to ensure capital expenditures balance the objectives of immediate cash flow growth (development activity) and future cash flow from the discovery of reserves (exploration). This careful prospect selection process can yield consistent and efficient results. The Company focuses its activity in a small number

of core areas and concentrates on play types with which management is familiar, allowing it to leverage off its experience and knowledge in these areas. The Company will consider the use of farmouts to minimize risk on plays it considers higher risk.

OFF BALANCE SHEET ARRANGEMENTS

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

USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Management reviews estimates and assumptions on a continual basis and makes changes to such estimates based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, the impact of these estimates, assumptions and judgments are subject to management uncertainty, and the effect on the financial statements in future periods could be material. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) Use of Estimates

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

Reserve estimates

The Company's reserves have been evaluated in accordance with the Canadian Oil and Gas Evaluation Handbook and comply with the standards that govern all aspects of reserves as prescribed in National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Under NI 51-101 standards, proved plus probable reserves are considered a "best estimate" of future recoverable reserves.

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

Decommissioning provisions

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

Business combinations

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

Share-based compensation

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

Income taxes

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

(ii) Judgments

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

Cash generating unit ("CGU")

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

Impairment

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

Exploration and evaluation assets ("E&E")

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

Joint control

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

Income taxes

Judgments are made by management at the end of the reporting period to determine the likelihood that deferred income tax assets will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make judgments related to the expectations of future cash flows from operations and the application of existing

tax laws in each jurisdiction. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in profit or loss in the period in which the change occurs.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

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

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

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

BUSINESS RISKS

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

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

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

Prices, Markets and Marketing of Crude Oil and Natural Gas

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

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

Risk Management

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

Exploration Risk

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

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

Spartan attempts to minimize finding risk by ensuring that:

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

- geophysical techniques are utilized where appropriate.

Investment Risk Profile

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

Production

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

Reserve Estimates

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

Financial and Liquidity Risks

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

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

Issuance of Debt

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

Environmental and Safety Risks

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

Inflation Risks

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

Competitive Industry Conditions

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

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

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

Supply of Service and Production Equipment

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

	2016	2017	2018	2019	2020	Thereafter	Total
Operating lease – office ^(1,2)	996	1,852	292	-	-	-	\$ 3,140
Pipeline transportation ^(1,3)	575	1,310	1,453	1,572	1,310	-	\$ 6,220
Gas processing ^(1,4)	1,853	7,373	7,373	7,373	7,373	17,411	\$ 48,756
	3,424	10,535	9,118	8,945	8,683	17,411	\$ 58,116

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

- (2) Includes operating costs.
- (3) Represents a pipeline transportation tariff on minimum oil volumes delivered from the Alameda field to the main Southeast Saskatchewan trunkline. The transportation tariff is deducted from oil price when sold and included in oil sales. Costs related to under-delivered volumes are included in operating and transportation expenses.
- (4) Represents the estimated capital component of the gas processing fee on minimum gas volumes to be delivered to a gas processing facility being constructed at the Alameda oil battery. The facility is expected to begin operations in October 2016. When gas delivery commences, sales from natural gas, NGLs and NGLs that can be blended with produced oil and sold as oil will be recognized in revenue. The processing fee will be included in operating and transportation expenses.

On December 22, 2015, the Company issued 735,294 common shares on a “flow-through” basis with respect to Canadian exploration expenditures at a price of \$2.72 per flow-through share. As at June 30, 2016, the Company had incurred \$0.9 million of this capital commitment. The Company is committed to incurring the remaining \$1.1 million on qualified exploration expenditures by December 31, 2016.

SUBSEQUENT EVENTS

On August 3, 2016, Spartan completed an acquisition of certain oil and gas assets in southeast Saskatchewan for total cash consideration of approximately \$24.0 million, excluding transaction costs.

On August 3, 2016, Spartan announced a bought deal financing of 22,100,000 common shares at a price of \$3.18 per common share for total gross proceeds of approximately \$70.3 million. The underwriters will have an option to purchase up to an additional 3,315,000 of the common shares issued under the offering at a price of \$3.18 per common share to cover over-allotments, exercisable in whole or in part at any time until 30 days after the closing date. The maximum gross proceeds that could be raised under the offering is approximately \$80.8 million should the over-allotment option be exercised in full. The offering is expected to close on or about August 24, 2016.

OUTLOOK

Following the completion of the Company’s recent acquisitions and the bought deal financing announced subsequent to the end of the quarter, Spartan remains well positioned to deliver per share growth in a variable commodity price environment. The majority of the Company’s drilling locations remain economic in a depressed price scenario, allowing for sustained production while using a strong cost of capital and balance sheet flexibility to pursue additional accretive acquisitions. In a rising price environment, the torque to oil prices provided by the Company’s light oil production base, together with the Company’s deep drilling inventory, provide the ability to deliver significant organic production growth within cash flow.