

Spartan Energy Corp.

Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017

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

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

	June 30 2017	December 31 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 19	\$ 43
Trade and other receivables	30,312	33,924
Prepaid expenses and deposits	6,583	7,939
Total current assets	36,914	41,906
Non-current assets		
Exploration and evaluation assets (note 4)	57,213	56,757
Properties and equipment (note 5)	1,682,729	1,683,331
Deferred income tax asset (note 11)	76,969	78,429
Total non-current assets	1,816,911	1,818,517
Total Assets	\$ 1,853,825	\$ 1,860,423
Liabilities		
Current liabilities		
Trade and other liabilities	\$ 64,601	\$ 38,546
Finance lease obligations (note 7)	4,422	4,294
Bank debt (note 6)	176,406	217,921
Total current liabilities	245,429	260,761
Non-current liabilities		
Finance lease obligations (note 7)	24,613	26,830
Decommissioning liabilities (note 8)	244,958	229,364
Total non-current liabilities	269,571	256,194
Total Liabilities	515,000	516,955
Equity		
Share capital (note 9)	\$ 1,392,142	\$ 1,389,932
Contributed surplus	31,733	28,654
Warrants	12,983	13,339
Deficit	(98,021)	(88,436)
Accumulated other comprehensive loss	(12)	(21)
Total Equity	1,338,825	1,343,468
Total Liabilities and Equity	\$ 1,853,825	\$ 1,860,423

Commitments - note 14

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

Approved on behalf of the Board of Directors:

"signed" Michael Stark

Michael Stark, Director

"signed" Donald Archibald

Donald Archibald, Director

Spartan Energy Corp.

Interim Consolidated Statements of Comprehensive Loss

For the periods ended June 30

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

	Three Months Ended June 30 2017	Three Months Ended June 30 2016	Six Months Ended June 30 2017	Six Months Ended June 30 2016
Revenue				
Oil and gas sales	\$ 105,691	\$ 36,217	\$ 209,615	\$ 64,211
Royalties	(17,625)	(5,413)	(33,891)	(9,400)
	88,066	30,804	175,724	54,811
Gain on derivative contracts	-	26	-	26
	88,066	30,830	175,724	54,837
Expenses				
Operating and transportation	37,085	12,423	70,992	25,369
Exploration and evaluation expense (note 4)	6,580	1,679	7,718	2,801
General and administrative	2,277	1,840	4,334	3,597
Stock-based compensation	1,140	455	2,742	1,406
Transaction costs	201	565	368	565
Depletion and depreciation (note 5)	45,926	21,864	89,809	45,107
	93,209	38,826	175,963	78,845
Finance expense:				
Interest expense	2,562	265	5,233	965
Accretion on decommissioning liabilities (note 8)	1,347	570	2,653	1,151
	3,909	835	7,886	2,116
Loss before income taxes	(9,052)	(8,831)	(8,125)	(26,124)
Deferred income tax expense (recovery) (note 11)	777	(2,172)	1,460	(6,584)
Net loss for the period	\$ (9,829)	\$ (6,659)	\$ (9,585)	\$ (19,540)
Other comprehensive income				
Foreign currency translation on foreign operations	9	1	9	21
Comprehensive loss for the period	\$ (9,820)	\$ (6,658)	\$ (9,576)	\$ (19,519)
Loss per share				
	Basic	\$ (0.06)	Diluted	\$ (0.06)
		\$ (0.07)		\$ (0.07)
		\$ (0.05)		\$ (0.05)
		\$ (0.07)		\$ (0.20)

Spartan Energy Corp.

Interim Consolidated Statements of Changes in Equity

For the periods ended June 30

(Unaudited - in thousands of Canadian dollars)

	Share capital	Contributed surplus	Warrants	Deficit	Accumulated other comprehensive loss	Total
Balance - January 1, 2017	\$ 1,389,932	\$ 28,654	\$ 13,339	\$ (88,436)	\$ (21)	\$ 1,343,468
Changes during period:						
Net loss	-	-	-	(9,585)	-	(9,585)
Exercise of warrants	1,023	-	(356)	-	-	667
Exercise of stock options	1,046	(377)	-	-	-	669
Exercise of restricted share units	141	(141)	-	-	-	-
Unclaimed distributions	-	43	-	-	-	43
Stock-based compensation	-	3,554	-	-	-	3,554
Foreign currency translation on foreign operations	-	-	-	-	9	9
Balance - June 30, 2017	\$ 1,392,142	\$ 31,733	\$ 12,983	\$ (98,021)	\$ (12)	\$ 1,338,825
Balance - January 1, 2016	\$ 642,052	\$ 25,426	\$ 13,343	\$ (69,823)	\$ (23)	\$ 610,975
Changes during period:						
Net loss	-	-	-	(19,540)	-	(19,540)
Issue of common shares	96,251	-	-	-	-	96,251
Corporate acquisition	36,417	-	-	-	-	36,417
Property acquisitions	7,297	-	-	-	-	7,297
Exercise of stock options	1,287	(474)	-	-	-	813
Share issue costs, net of tax	(3,307)	-	-	-	-	(3,307)
Stock-based compensation	-	1,529	-	-	-	1,529
Foreign currency translation on foreign operations	-	-	-	-	21	21
Balance - June 30, 2016	\$ 779,997	\$ 26,481	\$ 13,343	\$ (89,363)	\$ (2)	\$ 730,456

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

Spartan Energy Corp.
Interim Consolidated Statements of Cash Flows
For the periods ended June 30
(Unaudited - in thousands of Canadian dollars)

	Three Months Ended June 30 2017	Three Months Ended June 30 2016	Six Months Ended June 30 2017	Six Months Ended June 30 2016
Cash and cash equivalents provided by (used in)				
Operating activities				
Net loss for the period	\$ (9,829)	\$ (6,659)	\$ (9,585)	\$ (19,540)
Items not affecting cash:				
Depletion and depreciation	45,926	21,864	89,809	45,107
Accretion expense	1,347	570	2,653	1,151
Unrealized gain on derivative contracts	-	(37)	-	(37)
Stock-based compensation	1,140	455	2,742	1,406
Exploration and evaluation expense	6,580	1,679	7,718	2,801
Deferred income tax expense (recovery)	777	(2,172)	1,460	(6,584)
Net change in non-cash operating working capital items (note 12)	15,953	(4,885)	12,377	(18,466)
Net cash flows from operating activities	61,894	10,815	107,174	5,838
Investing activities				
Properties and equipment acquired	(2,323)	(59,045)	(4,231)	(59,045)
Exploration and evaluation assets acquired	1,180	(5,408)	(3,370)	(5,408)
Expenditures on properties and equipment	(28,460)	(6,388)	(70,584)	(23,021)
Expenditures on exploration and evaluation assets	(4,132)	(480)	(5,442)	(964)
Net change in non-cash investing working capital items (note 12)	(48)	1,774	18,646	14,566
Net cash flows used in investing activities	(33,783)	(69,548)	(64,981)	(73,873)
Financing activities				
Issuance of common shares	-	-	-	96,251
Exercise of stock options	-	813	669	813
Exercise of warrants	-	-	667	-
Unclaimed distributions	43	-	43	-
Share issue costs	-	(45)	-	(4,531)
Increase (repayment) of bank debt	(27,103)	57,983	(41,515)	(24,503)
Repayment of finance lease obligations (net)	(1,061)	-	(2,089)	-
Net cash flows from (used in) financing activities	(28,121)	58,751	(42,225)	68,030
Foreign exchange effect on cash and cash equivalents	9	-	8	9
Change in cash and cash equivalents during the period	\$ (1)	\$ 18	\$ (24)	\$ 4
Cash and cash equivalents - beginning of period	20	29	43	43
Cash and cash equivalents - end of period	\$ 19	\$ 47	\$ 19	\$ 47
Interest paid	\$ 2,886	\$ 265	\$ 3,625	\$ 965

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

Spartan Energy Corp.

Notes to the Interim Consolidated Financial Statements

As at and for the three and six months ended June 30, 2017

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

1 Reporting entity

Spartan Energy Corp. ("Spartan", the "Company" or the "Corporation") is an Alberta incorporated Toronto Stock Exchange listed oil and natural gas exploration and production company whose business activities are focused in Western Canada. The interim consolidated financial statements of the Company as at and for the three and six months ended June 30, 2017 are comprised of the Company and its wholly-owned subsidiaries Renegade Petroleum (North Dakota) Ltd. and Petro Uno Resources Ltd. – North Dakota, which were incorporated under the laws of the State of North Dakota. The Company's head office address is Suite 500, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8.

2 Basis of presentation and significant accounting policies

(a) Basis of presentation

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

These interim consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on August 11, 2017.

(b) Significant accounting estimates and judgements

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

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

(c) Significant accounting policies

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

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Notes to the Interim Consolidated Financial Statements

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Accounting standards issued but not yet applied

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

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

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

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Notes to the Interim Consolidated Financial Statements

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

3 Acquisitions

On March 23, 2017, Spartan completed a minor resource property acquisition for \$6.5 million (\$3.4 million was allocated to exploration and evaluation assets, \$3.3 million was allocated to properties and equipment and \$0.2 million was allocated to decommissioning liabilities). The acquisition was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at fair value.

4 Exploration and evaluation assets

	As at June 30, 2017	Year Ended December 31, 2016
Balance, beginning of period	\$ 56,757	\$ 24,006
Acquisitions - corporate	-	1,605
Acquisitions – resource properties	3,370	20,274
Additions	5,442	15,898
Exploration and evaluation expense	(7,718)	(4,600)
Transfer to properties and equipment	(776)	(725)
Change in decommissioning liabilities (note 8)	138	299
Balance, end of period	\$ 57,213	\$ 56,757

Exploration and evaluation (“E&E”) assets consist of Spartan’s undeveloped land and exploration projects which are pending the determination of proved or probable reserves. Additions represent Spartan’s share of costs incurred on E&E assets during the period. For the six months ended June 30, 2017, the Company recognized a charge to earnings of \$7.7 million for the cost of undeveloped land expiries during the period (June 30, 2016 - \$2.8 million). There were no indicators of impairment to the Company’s E&E assets as at June 30, 2017.

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Notes to the Interim Consolidated Financial Statements

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

5 Properties and equipment

Cost:	Petroleum and natural gas assets	Office equipment	Total
Balance, as at December 31, 2015	\$ 1,003,291	\$ 1,192	\$ 1,004,483
Acquisitions- corporate	52,755	-	52,755
Acquisitions – resource properties	826,194	-	826,194
Additions – petroleum and natural gas assets	60,818	-	60,818
Additions- assets under finance lease	32,500	-	32,500
Transfer from E&E assets	725	-	725
Change in decommissioning liabilities (note 8)	52,819	-	52,819
Balance as at December 31, 2016	\$ 2,029,102	\$ 1,192	\$ 2,030,294
Accumulated depletion and depreciation:			
Balance, as at December 31, 2015	\$ 243,144	\$ 553	\$ 243,697
Depletion on resource assets	101,838	-	101,838
Depreciation on assets under finance lease	1,354	-	1,354
Depreciation on office assets	-	74	74
Balance as at December 31, 2016	\$ 346,336	\$ 627	\$ 346,963
Properties and equipment as at December 31, 2016	\$ 1,682,766	\$ 565	\$ 1,683,331
Cost:			
	Petroleum and natural gas assets	Office equipment	Total
Balance, as at December 31, 2016	\$ 2,029,102	\$ 1,192	\$ 2,030,294
Acquisitions - resource properties	4,411	-	4,411
Additions – petroleum and natural gas assets	71,397	-	71,397
Transfer from E&E assets	776	-	776
Change in decommissioning liabilities (note 8)	12,623	-	12,623
Balance as at June 30, 2017	\$ 2,118,309	\$ 1,192	\$ 2,119,501
Accumulated depletion and depreciation:			
Balance, as at December 31, 2016	\$ 346,336	\$ 627	\$ 346,963
Depletion on resource assets	87,752	-	87,752
Depreciation on assets under finance lease	2,031	-	2,031
Depreciation on office assets	-	26	26
Balance as at June 30, 2017	\$ 436,119	\$ 653	\$ 436,772
Properties and equipment as at June 30, 2017	\$ 1,682,190	\$ 539	\$ 1,682,729

For the six months ended June 30, 2017, approximately \$1.7 million of directly attributable general and administrative costs and \$0.8 million of directly attributable stock-based compensation were capitalized to properties and equipment (December 31, 2016 - \$2.7 million and \$1.0 million respectively).

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At June 30, 2017, future development costs of \$739.5 million associated with proved plus probable undeveloped reserves are included in costs subject to depletion (December 31, 2016 – \$766.4 million).

At June 30, 2017, the Company evaluated its properties and equipment for indicators of potential impairment or related reversal. As a result of a decrease in the outlook of future commodity prices, Spartan conducted tests of impairment on all of its CGUs. The impairment tests did not result in any impairment charges to the Company's properties and equipment.

6 Bank debt

As at June 30, 2017, the Company had available a \$350 million (December 31, 2016 - \$350 million) syndicated revolving demand credit facility with six Canadian chartered banks. The credit facility bears interest on a grid system which ranges from bank prime plus 1.0 percent to bank prime plus 4.5 percent depending on the Company's debt to EBITDA ratio ranging from less than or equal to 1:1 to greater than 3.5:1. The amount of the facility is subject to a borrowing base redetermination test performed at least annually, primarily based on reserves, using commodity prices estimated by the lender, as well as other factors. If a borrowing base shortfall is identified during a borrowing base redetermination, the portion drawn above the borrowing base is required to be repaid within 60 days. The Company is not subject to any financial covenants under the credit facility. As at June 30, 2017 and December 31, 2016, the Company was in compliance with all operating covenants outlined in the credit agreement.

The credit facility provides that advances may be made by way of direct prime rate loans, USBR loans, LIBOR loans, bankers' acceptances, letters of credit or letters of guarantee. The facility is secured by a \$1.0 billion debenture and a general security agreement over all the petroleum and natural gas assets of the Company. As at June 30, 2017 the Company had \$176.4 million drawn on the facility, excluding the letter of guarantee discussed below (December 31, 2016 - \$217.9 million).

As at June 30, 2017 the Company had a letter of guarantee outstanding in the amount of \$2.5 million against the credit facility (December 31, 2016 - \$2.5 million).

The next borrowing base review is scheduled to occur on or before October 31, 2017.

7 Finance lease obligations

As part of the acquisition of Wyatt in 2016, Spartan inherited a contract whereby the Company is committed to deliver minimum gas volumes to a third party gas processing facility constructed at the Alameda oil battery for a period of eight years. The facility was commissioned for operation in August 2016. The contract was structured whereby the minimum committed volumes, and the fixed capital component of the gas processing fee paid to the builder and operator of the facility on the committed volumes, ensures the third party a return on capital over the eight year term of the agreement. The contract is considered a finance lease under IAS 17 and is recognized as a liability on the consolidated statements of financial position. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The terms of the contract provide Spartan with the right to obtain substantially all of the economic benefits from the use of the plant over the length of the contract. The finance lease bears interest at an implicit rate of 5.64 percent.

Spartan Energy Corp.

Notes to the Interim Consolidated Financial Statements

As at and for the three and six months ended June 30, 2017

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

	As at June 30, 2017	Year Ended December 31, 2016
Current liability	4,422	4,294
Non-current liability	24,613	26,830
Finance lease obligations	\$ 29,035	\$ 31,124

Minimum lease payments, comprising interest expense and principal repayments, under the Company's finance lease obligations are as follows:

Year	As at June 30, 2017
2017	2,997
2018	5,944
2019	5,944
2020	5,961
2021	5,026
Thereafter	8,528
	\$ 34,400

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 \$375.0 million (December 31, 2016 – \$368.0 million). These payments are expected to be incurred over the next 20 to 30 years. At June 30, 2017, a risk-free rate of 2.13 percent (December 31, 2016 – 2.31 percent) and an inflation rate of 2.0 percent (December 31, 2016 – 2.0 percent) were used to calculate the net present value of the decommissioning liabilities.

	As at June 30, 2017	Year Ended December 31, 2016
Decommissioning liabilities, beginning of period	\$ 229,364	\$ 110,910
Acquired - corporate	-	2,281
Acquired – resource properties	180	60,225
Liabilities incurred	3,945	5,203
Accretion expense	2,653	2,830
Revaluation of liabilities acquired ⁽¹⁾	256	96,589
Change in estimates ⁽²⁾	8,560	(48,674)
Decommissioning liabilities, end of period	\$ 244,958	\$ 229,364

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

(2) Change in estimates is a result of changes to the risk-free rate and changes to working interests in Spartan's wells during the period.

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Notes to the Interim Consolidated Financial Statements

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

9 Share capital

Authorized

Unlimited number of voting common shares.

Unlimited number of preferred shares, issuable in series.

Issued and outstanding

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, 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, 2015⁽¹⁾	88,364,409	642,052
Issue of common shares	82,068,625	719,629
Issued for acquisitions – corporate	3,805,345	36,417
Issued for acquisitions – resource properties	774,589	7,297
Exercise of warrants	3,333	12
Exercise of stock options	118,778	1,667
Exercise of restricted share units	132,562	1,336
Less share issue costs (net of tax of \$6,835)	-	(18,478)
Balance as at December 31, 2016⁽¹⁾	175,267,641	1,389,932
Exercise of warrants	277,778	1,023
Exercise of stock options	91,889	1,046
Exercise of restricted share units	20,666	141
Cancellation of common shares	(55,012)	-
Balance as at June 30, 2017	175,602,962	1,392,142

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

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

	Six months ended June 30,	
	2017	2016
Weighted average outstanding common shares⁽¹⁾		
Basic	175,458,342	96,516,401
Diluted	175,458,342	96,516,401

(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 six months ended June 30, 2017 and June 30, 2016 excludes the effect of all stock options, restricted share units and warrants as the impact would be anti-dilutive due to the net loss realized. If the

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Notes to the Interim Consolidated Financial Statements

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

Company had reported net income for the six months ended June 30, 2017 and June 30, 2016, the total weighted average diluted common shares outstanding would be 183,700,228 and 104,006,280 respectively.

Warrants

Warrants outstanding at June 30, 2017 are presented below. As at June 30, 2017, 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 six months ended June 30, 2017.

	Number of warrants	Weighted Average Exercise price	Amount (\$ thousands)
Balance at December 31, 2015⁽¹⁾	10,415,416	\$ 2.40	13,343
Warrants exercised	(3,333)	(2.40)	(4)
Balance at December 31, 2016⁽¹⁾	10,412,083	\$ 2.40	13,339
Warrants exercised	(277,778)	(2.40)	(356)
Balance at June 30, 2017	10,134,305	\$ 2.40	12,983

(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

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

Options outstanding at June 30, 2017 are presented below. As at June 30, 2017, 3,002,926 options are vested and exercisable at a weighted average exercise price of \$8.92 per common share. There were no stock options granted during the six months ended June 30, 2017.

	Number of Options	Remaining Life (years)	Weighted Average Exercise Price
Balance, December 31, 2015⁽²⁾	4,033,333	3.55	\$ 8.88
Exercised	(118,778)	(2.48)	(8.61)
Forfeited	(220,555)	(2.79)	(9.90)
Balance, December 31, 2016⁽²⁾	3,694,000	2.54	\$ 8.85
Exercised ⁽¹⁾	(91,889)	(1.81)	(7.28)
Forfeited	(120,222)	(2.15)	(9.05)
Balance, June 30, 2017	3,481,889	2.05	\$ 8.87

(1) The weighted average price of the Company's common shares on the 2017 exercise dates was \$9.14 per common share.

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

For the six months ended June 30, 2017, approximately \$0.3 million in stock-based compensation related to stock options was recognized as an expense and \$0.1 million in stock-based compensation related to stock options was capitalized to properties and equipment (June 30, 2016 – \$1.4 million and \$0.1 million respectively).

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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 June 30, 2017 there were 1,112,124 RSUs outstanding, 82,283 of which were vested and exercisable.

	Number of Restricted Share Units
Balance, December 31, 2015 ⁽²⁾	-
Granted	517,856
Exercised	(132,562)
Forfeited	(3,000)
Balance, December 31, 2016 ⁽²⁾	382,294
Granted	762,718
Exercised ⁽¹⁾	(20,666)
Forfeited	(12,222)
Balance, June 30, 2017	1,112,124

(1) The weighted average price of the Company's common shares on the 2017 exercise dates was \$6.91 per common share.

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

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

For the six months ended June 30, 2017, approximately \$2.4 million in stock-based compensation related to RSUs was recognized as an expense and \$0.7 million in stock-based compensation related to RSUs was capitalized to properties and equipment (June 30, 2016 – nil and nil respectively).

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:

Six months ended June 30	2017	2016
Loss before income taxes	\$ (8,125)	\$ (26,124)
Combined federal and provincial income tax rate	26.50%	27.00%
Computed income tax recovery	(2,153)	(7,053)
Tax effects of:		
Stock-based compensation	726	379
Flow through shares	-	90
Change to tax rate ⁽¹⁾	2,887	-
Deferred income tax expense (recovery) for the period	\$ 1,460	\$ (6,584)

⁽¹⁾ The Saskatchewan 2017-18 Budget announced that the Saskatchewan general tax rate on corporate taxable income declines from 12% to 11.5% effective July 1, 2017 and 11.5% to 11% effective July 1, 2019.

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As at June 30, 2017 the Corporation had approximately \$1.8 billion of tax pools and losses available to reduce future taxable income (December 31, 2016 - \$1.8 billion).

12 Supplemental cash flow information

Changes in non-cash working capital	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Change in trade and other receivables	\$ 3,612	\$ (2,464)
Change in prepaid expenses and deposits	1,356	(3,229)
Change in trade and other liabilities	26,055	5,217
	\$ 31,023	\$ (476)
Relating to:		
Corporate activities	\$ -	\$ 3,424
Operating activities	12,377	(18,466)
Investing activities	18,646	14,566
	\$ 31,023	\$ (476)

13 Financial instruments & Risk management

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

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

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

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

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

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

As at June 30, 2017, there are no financial derivative contracts outstanding. Financial derivative contracts are recognized at fair value through profit and loss.

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

For the purposes of determining whether impairment of the Company's properties and equipment has occurred, and the extent of any impairment or its reversal, management exercises their judgment in estimating future cash flows for the recoverable amount, being the higher of fair value less costs of disposal and value in use. These key judgments include estimates about recoverable reserves, forecast

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benchmark commodity prices, royalties, operating and transportation costs, capital costs and discount rates. The fair value less costs of disposal and value in use estimates are categorized as Level 3.

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

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

Capital management

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

Spartan manages and monitors its capital structure and short-term financing requirements using the ratio of net debt to adjusted funds flow from operations. Adjusted funds flow from operations is calculated based on cash flows from operating activities before changes in non-cash working capital, transaction costs from acquisitions and decommissioning expenditures incurred. This metric is used to monitor the Company's overall debt position and monitor the strength of the Company's statement of financial position.

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

14 Commitments

As at June 30, 2017 Spartan was committed to future minimum payments as follows:

	2017	2018	2019	2020	2021	Thereafter	Total
Operating lease – office ⁽¹⁾	876	292	-	-	-	-	1,168
Pipeline transportation ^(2,3)	670	1,453	1,572	1,310	-	-	5,005
Gas processing ^(2,4)	2,997	5,944	5,944	5,961	5,026	8,528	34,400
	4,543	7,689	7,516	7,271	5,026	8,528	40,573

(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

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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).