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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 March 10, 2014 and is management's assessment of the Company's financial and operating results for the quarter and year ended December 31, 2014. This MD&A should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2014 and notes thereto. All financial measures are expressed in Canadian dollars unless otherwise indicated. The results for the three months and year ended December 31, 2014 are not necessarily indicative of the results to be expected for any future period. 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", the "Company" or the "Corporation") is an Alberta incorporated oil and natural gas exploration and production company whose business activities are focused in Western Canada. The consolidated financial statements of the Company as at and for the three months and year ended December 31, 2014 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 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, 2014 consolidated financial statements. This MD&A compares the results of the three months ended December 31, 2014 ("Q4 2014") to the three months ended December 31, 2013 ("Q4 2013") as well as the year ended December 31, 2014 to the year ended December 31, 2013. The terms "fourth quarter of 2014" and "same period of 2013" or similar terms are used throughout this document and refer to the three month periods ended December 31, 2014 and 2013, 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, 2014.

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 December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Cash flow from operating activities	33,534	987	3,298	76,648	6,421	1,094
Transaction costs	75	-	n/a	3,564	-	n/a
Changes in non-cash working capital	(3,786)	(103)	3,576	5,581	504	1,007
Funds flow from operations	29,823	884	3,274	85,793	6,925	1,139

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

(\$ thousands)	December 31, 2014	December 31, 2013
Bank debt	74,434	-
Current assets	(24,483)	(19,933)
Current liabilities (excluding bank debt)	38,723	1,079
Derivative contracts	-	(33)
Net Debt	86,343	(18,887)

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, transportation, operating 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 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 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 December 31, 2014 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, 2014 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 October 1, 2014 to December 31, 2014.

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published an updated Internal Control – Integrated Framework and related illustrative documents, which will supersede the 1992 COSO Framework as of December 15, 2014. As of December 31, 2014, Spartan was utilizing the original framework published in 1992, but is transitioning to the 2013 COSO Framework as it relates to its internal control over financial reporting.

It should be noted that while Spartan's Chief Executive Officer (CEO) and Chief Financial Officer (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

2014 Highlights:

Spartan's highlights for the fourth quarter and year ended December 31, 2014 include:

- Achieved record average production of 8,844 boe/d in the fourth quarter (95% liquids), a 20% increase over the previous quarter. Production per share in the fourth quarter of 2014 increased 30% compared to the fourth quarter of 2013.
- Generated record funds flow from operations in the fourth quarter of \$29.8 million, a 5% increase over the third quarter, despite a 12% decrease in the Company's realized price over the same time period (including realized hedging gains/losses). Funds flow from operations per share in the fourth quarter increased approximately 267% over the fourth quarter of 2013 to \$0.11 (\$0.10 diluted).
- Delivered annual funds flow from operations of \$85.8 million in 2014 compared to \$6.9 million in 2013.
- Successfully drilled 23.5 net wells in the fourth quarter, bringing our 2014 total to 57.7 net wells. Total capital expenditures for the year were approximately \$87 million.
- Purchased approximately 5,200 boe/d through the corporate acquisition of Renegade Petroleum Ltd. and approximately 1,500 boe/d through additional asset acquisitions completed in 2014.
- Raised approximately \$228 million through the issuance of 81.6 million Spartan common shares, with proceeds used to fund our acquisitions and reduce bank debt.
- Increased our proved plus probable reserves to 39.6 MMboe at year-end 2014 from 1.6 MMboe at year-end 2013, representing a per share increase of 475%.
- Maintained our balance sheet strength, with net debt at the end of the year of approximately \$86 million, representing 0.7 times annualized fourth quarter cash flow. At year-end, we had approximately \$164 million of room on our \$250 million credit facility.

Production

For the three month period ended December 31, 2014, Spartan achieved average total production of 8,844 boe/d compared to 664 boe/d for the same period in 2013, a 1,232 percent increase. Average production for the year ended December 31, 2014 of 5,899 boe/d was 637 percent higher than production for the year ended December 31, 2013 of 800 boe/d. The increase in average total production is a result of additional production from the Company's corporate and resource property acquisitions in 2014 as well as a successful 2014 development drilling program.

Spartan completed the Area 5 asset acquisition in February 2014 and then acquired Renegade Petroleum Ltd. on March 31, 2014. In the third quarter of 2014, Spartan completed four additional resource property acquisitions adding approximately 1,280 boe/d. Spartan drilled 63 (57.7 net) wells in 2014, including two vertical wells in the second quarter of 2014 testing an exploration play. Of the 55.7 net development wells drilled in 2014, 53.7 were on production by December 31, 2014, resulting in a significant increase in the Company's annual average production compared to 2013.

	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Crude Oil (bbls/d)	8,232	425	1,837	5,394	459	1,075
Natural Gas (mcf/d)	2,634	1,434	84	2,229	2,046	9
Liquids (bbls/d)	173	-	n/a	133	-	n/a
Total (boe/d)	8,844	664	1,232	5,899	800	637

Oil and Gas Sales / Gain on Acquisition

Oil and gas sales for the three month period ended December 31, 2014 increased 1,569 percent to \$53.7 million from \$3.2 million for the three month period ended December 31, 2013. For the year ended December 31, 2014, sales increased 1,006 percent to \$173.9 million from \$15.7 million for the same period in the prior year. The increase in revenues is due to added

production volumes from the Company's 2014 corporate and resource property acquisitions and a successful 2014 development drilling program.

Despite an increase in production volumes from the third quarter of 2014 to the fourth quarter of 2014, oil and gas sales decreased by 9 percent from quarter to quarter due to a decrease in commodity prices and a resulting 24 percent decrease in the Company's realized price for oil and gas (12 percent decrease net of realized gains/(losses) on derivative contracts). 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.

Spartan recorded a gain on acquisition of \$15 million related to the Area 5 properties acquired during the year ended December 31, 2014. This acquisition was accounted for as a business combination using the acquisition method.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Oil and gas sales by product:						
Light crude oil	52,160	2,700	1,832	167,761	13,073	1,183
Natural gas	862	516	67	3,696	2,653	39
Natural gas liquids	661	-	n/a	2,415	-	n/a
Total oil and gas sales	53,683	3,216	1,569	173,872	15,726	1,006
Total oil and gas sales (\$/boe) ⁽¹⁾	65.98	52.64	25	80.76	53.88	50
Gain on acquisition	-	-	-	15,000	-	n/a

(1) Prior to realized derivative contracts

Commodity Pricing

All of Spartan's crude oil was sold into the spot market during the three and twelve month periods ended December 31, 2014. Spartan's realized price for its light crude oil and NGLs in the fourth quarter of 2014 was \$68.31/bbl compared to a realized price of \$69.03/bbl for the same period of 2013. For the year ended December 31, 2014, the Company's realized price for its light crude oil and NGLs was \$84.36 compared to the 2013 realized price of \$78.11/bbl. The Company realized a gas price of \$3.55/mcf for the three months ended December 31, 2014 compared to \$3.91/mcf in the same period of 2013 and a realized price of \$4.54/mcf for the year ended December 31, 2014 compared to \$3.55/mcf for the same period of 2013.

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.

	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Average Benchmark Prices						
Crude oil – WTI (US\$ per bbl)	73.15	97.46	(25)	93.00	97.98	(5)
Crude oil – WTI (CDN\$ per bbl)	82.97	102.29	(19)	102.50	100.96	2
Crude oil – Cromer LSB (35 API) (\$ per bbl)	74.04	85.11	(13)	92.66	91.59	1
Natural gas – AECO-C Spot (\$ per mcf)	3.63	3.52	3	4.50	3.13	44
Exchange rate – (US/CAD)	0.88	0.95	(8)	0.91	0.97	(7)
Spartan's Average Realized Prices						
Crude oil and natural gas liquids (\$ per bbl) ⁽¹⁾	68.31	69.03	(1)	84.36	78.11	8
Natural gas (\$ per mcf) ⁽¹⁾	3.55	3.91	(9)	4.54	3.55	28

(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. Royalties also include the Saskatchewan resource surcharge royalty. As Saskatchewan revenues vary, this cost is expected to fluctuate in direct correlation.

For the three months ended December 31, 2014, total royalties were \$9.0 million compared to \$0.5 million for the same period of 2013. The Company's average royalty rate for the three months ended December 31, 2014 was 17 percent of sales compared to 17 percent for the same period of 2013. For the year ended December 31, 2014, royalties were \$29.3 million or 17 percent of sales as compared to \$2.6 million or 17 percent of sales for the same period in 2013. Royalties increased for the three months and year ended December 31, 2014 compared to the same periods of 2013 as a result of the additional oil and gas sales from the Company's 2014 corporate and resource property acquisitions and successful 2014 development drilling program.

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.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Royalties	9,032	544	1,560	29,307	2,624	1,017
\$ per boe	11.10	8.90	25	13.61	8.99	51
% of oil and gas sales	17	17	-	17	17	-

Financial Derivative Instruments

The following crude oil and natural gas commodity contracts expired in December 2014. From time to time, the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. The gain related to these financial derivative contracts is included in the Company's net income for the year ended December 31, 2014. As at December 31, 2014, the Company had no crude oil or natural gas commodity contracts in place.

Period	Commodity	Contract	Quantity Contracted	Contract Price ⁽¹⁾
January 2014 – December 2014	Crude Oil	Swap	500 bbls/d	CAD \$91.00/bbl
January 2014 – December 2014	Crude Oil	Swap	500 bbls/d	CAD \$91.00/bbl
January 2014 – December 2014	Crude Oil	Swap	500 bbls/d	CAD \$91.05/bbl
January 2014 – December 2014	Crude Oil	Swap	500 bbls/d	CAD \$91.20/bbl
January 2014 – December 2014	Crude Oil	Swap	1,000 bbls/d	CAD \$91.70/bbl
January 2014 – December 2014	Crude Oil	Swap	1,000 bbls/d	CAD \$96.00/bbl

(1) NYMEX WTI monthly average converted to Canadian dollars.

Period	Commodity	Contract	Quantity Contracted	Contract Price
April 1, 2014 – Dec 31, 2014	Natural Gas	Swap	700 gj/day	CAD \$3.58

(1) AECO – C Spot monthly average.

The following table summarizes the realized and unrealized gains and losses on the Company's financial derivative contracts for the three months and year ended December 31, 2014 and 2013.

(\$ thousands)	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Realized gain (loss) on derivative contracts	3,530	23	(8,787)	162
Unrealized gain (loss) on derivative contracts	3,213	(36)	18,225	(668)
Gain (loss) on derivative contracts	6,743	(13)	9,438	(506)

Operating & Transportation

Operating and transportation costs totaled \$15.6 million or \$19.23/boe for the three months ended December 31, 2014 as compared to \$0.7 million or \$10.71/boe in the fourth quarter of 2013. For the year ended December 31, 2014, operating and production costs totaled \$41.5 million or \$19.27/boe compared to \$3.8 million or \$13.04/boe for the same period in the prior year. Operating and transportation costs increased for the three months and year ended December 31, 2014 compared to the

same periods of 2013 as a result of additional oil and gas properties acquired in the Company's 2014 corporate and resource property acquisitions as well as additional costs associated with new wells drilled in 2014.

Operating and transportation costs increased on a per boe basis due to the nature of the assets operated by the Company in 2014 compared to the assets that Alexander Energy Ltd. was operating in 2013. Spartan acquired two new core areas in southeast and west central Saskatchewan in 2014 which accounted for approximately 95 percent of the Company's production in the fourth quarter of 2014. The costs of producing oil and natural gas from the Company's assets in southeast Saskatchewan are higher than the costs the Company incurs to produce from its assets in Alexander, Alberta. Spartan continued to complete well workovers, well optimizations and facility turnarounds in the fourth quarter of 2014. The maintenance, labour and service costs are required to maintain existing levels of production.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Operating and production costs	15,642	654	2,292	41,496	3,807	990
Operating and production costs per boe (\$)	19.23	10.71	80	19.27	13.04	48

General and Administrative Expenses

During the fourth quarter of 2014, G&A, net of capitalized and overhead recovery amounts, was \$1.9 million or \$2.33/boe as compared to the quarter ended December 31, 2013 where G&A expenses were \$1.1 million or \$17.43/boe. Gross G&A expenses prior to the effects of capitalized and overhead recoveries amounts were \$3.9 million or \$4.83/boe as compared to the quarter ended December 31, 2013 where gross G&A expenses were \$1.1 million or \$18.78/boe.

For the year ended December 31, 2014, G&A, net of capitalized and overhead recovery amounts was \$5.6 million, or \$2.59/boe, as compared to the 2013 amounts of \$2.0 million, or \$6.98/boe. Gross G&A expenses prior to the effects of capitalized and overhead recoveries amounts were \$11.6 million or \$5.37/boe for the year ended December 31, 2014 as compared to 2013 where gross G&A expenses were \$2.5 million, or \$8.50/boe.

G&A expenses increased for the three months and year ended December 31, 2014 compared to the same period in the prior year as a result of an increase in staff and systems to support the significant growth experienced by the Company in 2014. Spartan's management team has significantly grown the Company's asset and production base through a combination of successful development drilling and accretive acquisitions. G&A expenses decreased on a per boe basis due to the increase in sales volumes and the increase in the level of capital activity and capital expenditures in 2014 resulting in increased capital overhead recoveries. The Company has also focused on increasing efficiencies and reducing corporate overhead costs.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Gross general and administrative expenses	3,927	1,147	242	11,554	2,483	365
Less - recoveries	(1,423)	(79)	1,701	(3,540)	(447)	692
Less - capitalized	(610)	-	n/a	(2,443)	-	n/a
General and administrative expenses	1,894	1,068	77	5,571	2,036	174
Net general and administrative expenses (\$/boe)	2.33	17.43	(87)	2.59	6.98	(63)
Gross general and administrative expenses (\$/boe)	4.83	18.78	(74)	5.37	8.50	(37)

Interest Expense

Interest expense, net of interest income, for the three month period ended December 31, 2014 was \$0.8 million compared to \$0.09 million for the same period of 2013. Interest expense, net of interest income, for the year ended December 31, 2014 was \$2.9 million compared to \$0.5 million for the same period of 2013. The increase in interest expense was due to the higher average bank debt outstanding. Spartan had \$74.4 million drawn on its credit facility at December 31, 2014.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Interest expense	823	92	794	2,918	496	488
Interest expense per boe (\$)	1.01	1.51	(33)	1.36	1.70	(20)

Depletion and Depreciation

For the fourth quarter of 2014, depletion and depreciation expense was \$19.5 million or \$23.98/boe as compared to the quarter ended December 31, 2013 in which the expense was \$1.5 million or \$24.01/boe. For the year ended December 31, 2014, depletion and depreciation expense was \$65.2 million or \$30.30/boe as compared to the 2013 expense of \$5.6 million or \$19.34/boe. The increase in depletion and depreciation expense is due to additional oil and gas properties acquired from the Company's 2014 corporate and resource property acquisitions.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Total depletion and depreciation	19,511	1,467	1,230	65,225	5,645	1,055
Depletion and depreciation (\$/boe)	23.98	24.01	-	30.30	19.34	57

Income taxes

As at December 31, 2014 the Corporation had approximately \$747 million of tax pools and losses available to reduce future taxable income.

(\$thousands of dollars)	December 31, 2014
COPGE	328,094
CDE	123,324
CEE	14,318
FEDE	5
UCC	88,763
CEC	678
Share issue costs	14,631
Tax losses	175,878
Total	747,075

Funds Flow from Operations and Net Income (Loss)

For the three months ended December 31, 2014, funds flow from operations increased by 3,274 percent to \$29.8 million compared to \$0.9 million during the same period of 2013. Basic and diluted funds flow from operations per share for the quarter were \$0.11 per share and \$0.10 per share respectively compared to \$0.03 per basic and diluted share during the same period of 2013. For the year ended December 31, 2014, funds flow from operations increased by 1,139 percent to \$85.8 million compared to \$6.9 million during the same period of 2013. Basic and diluted funds flow from operations per share for the year ended December 31, 2014 were \$0.40 per share and \$0.36 per share respectively compared to \$0.38 per basic and diluted share during the same period of 2013. The increase in funds flow from operations and funds flow from operations per share is a result of the additional cash flows generated from the assets acquired in the Company's 2014 corporate and resource property acquisitions as well as additional production and cash flows from the Company's successful 2014 development drilling program. Spartan completed the Area 5 asset acquisition in February 2014, acquired Renegade Petroleum Ltd. on March 31, 2014 and completed four additional resource property acquisitions in the third quarter of 2014 adding approximately 6,700 boe/d.

The Company realized net income of \$1.9 million in the fourth quarter of 2014 compared to a net loss of \$1.7 million for the same period of 2013. Basic and diluted net income per share for the quarter was \$0.01 compared to a basic and diluted net loss per share of \$0.07 during the three months ended December 31, 2013. The Company realized net income of \$24.3 million, or \$0.11 per basic share and \$0.10 per diluted share, for the year ended December 31, 2014 compared to a net loss of \$1.8 million, or \$0.10 per basic and diluted share, in the same period of 2013.

(\$ thousands)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Funds flow from operations	29,823	884	3,274	85,793	6,925	1,139
Funds flow from operations per basic share	0.11	0.03	267	0.40	0.38	5
Funds flow from operations per diluted share	0.10	0.03	233	0.36	0.38	(5)
Net income (loss)	1,855	(1,718)	208	24,335	(1,767)	1,477
Net income (loss) per basic share	0.01	(0.07)	114	0.11	(0.10)	210
Net income (loss) per diluted share	0.01	(0.07)	114	0.10	(0.10)	200

The following table summarizes the netbacks on a per boe basis for the three months and year ended December 31, 2014 and 2013.

(\$ per boe)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Oil and gas sales price	65.98	52.64	25	80.76	53.88	50
Realized gain (loss) on derivative contracts	4.34	0.38	1,042	(4.08)	0.56	(829)
Net realized oil and gas sales price	70.32	53.02	33	76.68	54.44	42
Royalties	(11.10)	(8.90)	25	(13.61)	(8.99)	51
Operating and Transportation	(19.23)	(10.71)	80	(19.27)	(13.04)	48
Operating netback	39.99	33.41	20	43.80	32.41	35
General and administrative expenses	(2.33)	(17.43)	(87)	(2.50)	(6.98)	(63)
Interest expense	(1.01)	(1.51)	(33)	(1.36)	(1.70)	(20)
Corporate netback	36.65	14.47	153	39.85	23.73	68

Selected Annual Information

The following table summarizes key financial and operating information over the most recently completed financial years. The current Spartan management team recapitalized Alexander Energy Ltd. on December 10, 2013 and acquired Renegade Petroleum Ltd. on March 31, 2014. The results of operations for the 2012 and 2013 years are therefore not considered representative for comparative purposes given the change in management teams and the significant growth in the Company's asset and production base. Spartan's oil and gas sales, funds flow from operations and total assets have increased from 2013 to 2014 due to increased production volumes from the Renegade Petroleum Ltd. corporate acquisition and the additional resource property acquisitions completed in 2014, as well as the Company's successful 2014 development drilling program.

Annual Summaries			
(\$ thousands, except per boe and per share amounts)	2014	2013	2012
Production (boe/d)	5,899	800	730
Average realized price (\$/boe) – excluding derivatives	80.76	53.88	45.32
Oil and gas sales	173,872	15,726	12,076
Net income (loss)	24,335	(1,767)	820
Earnings per share - basic	0.11	(0.10)	0.05
Funds flow from operations	85,793	6,925	4,291
Funds Flow from operations per share - basic	0.40	0.38	0.28
Total assets	901,955	50,237	32,784
Net debt (surplus)	86,343	(18,887)	12,602

Summary of Quarterly Results

Below is summarized quarterly information for the last eight quarters:

Quarterly Summaries (\$ thousands, except per boe and per share amounts)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Production (boe/d)	8,844	7,399	6,396	850
Average realized price (\$/boe) – excluding derivatives	65.98	87.09	94.59	76.52
Oil and gas sales	53,683	59,280	55,056	5,853
Net income (loss)	1,855	6,123	1,357	15,000
Earnings per share - basic	0.01	0.02	0.01	0.15
Earnings per share – diluted	0.01	0.02	0.01	0.12
Funds flow from operations	29,823	28,507	24,371	3,095
Funds Flow from operations per share - basic	0.11	0.11	0.11	0.03
Funds Flow from operations per share - diluted	0.10	0.10	0.09	0.01

Quarterly Summaries (\$thousands of dollars, except per boe amounts)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Production (boe/d)	664	805	835	900
Average realized price (\$/boe) – excluding derivatives	52.64	62.27	54.66	45.05
Oil and gas sales	3,216	4,610	4,153	3,647
Net income (loss)	(1,718)	802	(873)	22
Earnings per share - basic	(0.07)	0.01	(0.01)	-
Earnings per share – diluted	(0.07)	0.01	(0.01)	-
Funds flow from operations	884	2,394	1,846	1,802
Funds Flow from operations per share - basic	0.03	0.04	0.03	0.03
Funds Flow from operations per share - diluted	0.03	0.04	0.03	0.03

Since commencing operations after the recapitalization of Alexander Energy Ltd. on December 10, 2013, Spartan's current management team has significantly grown the Company's asset and production base through a combination of successful development drilling and accretive acquisitions. Spartan completed the Area 5 acquisition in February of 2014, the acquisition of Renegade Petroleum Ltd. on March 31, 2014 and completed four additional resource property acquisitions in the third quarter of 2014. In just one year, Spartan's production has grown from 664 boe/d in the fourth quarter of 2013 to 8,844 boe/d in the fourth quarter of 2014, an increase of 1,232 percent. Funds flow from operations has increased from \$0.9 million in the fourth quarter of 2013 to \$29.8 million in the fourth quarter of 2014, an increase of 3,274 percent. Spartan has also amassed a significant land base in southeast Saskatchewan with an extensive inventory of drilling locations that position the Company for future growth. With a shift in the Company's product mix in 2014 (now 95 percent light oil and natural gas liquids), the Company's average realized price has increased from the fourth quarter of 2013 to the fourth quarter of 2014 which, along with the increase in production, has contributed to the increase in oil and gas sales over the period.

A significant decrease in the commodity price for oil in the fourth quarter of 2014 resulted in a 12 percent decrease in the Company's net realized oil and gas sales price (net of hedging gains and losses) from the third quarter of 2014 to the fourth quarter of 2014. Despite the decrease in oil prices, oil and gas sales, net of hedging gains and losses, only decreased by 5 percent from the third quarter to the fourth quarter of 2014 and funds flow from operations increased by 5 percent over the same period due to production growth of 20 percent from quarter to quarter.

Capital Expenditures & Acquisitions

The following table details the cash capital additions relating to the Company's property, plant and equipment and exploration and evaluation assets for the three months and year ended December 31, 2014 and 2013:

(\$ thousands)	For the three months ended December 31,			For the year ended December 31,		
	2014	2013	% change	2014	2013	% change
Drilling & Completions	29,159	218	13,276	62,179	1,920	3,138
Equipment & Facilities	8,064	200	3,932	16,292	1,373	1,087
Land & Seismic	4,340		n/a	6,442	124	5,095
Other	656		n/a	2,504	99	2,429
Total capital expenditures - excluding acquisitions	42,219	418	10,000	87,417	3,516	2,386
Acquisitions	2,579	-	n/a	164,908	-	n/a
Total capital expenditures - including acquisitions	44,798	418	10,617	252,325	3,516	7,076

Drilling and completions costs for the three months ended December 31, 2014 were \$29.2 million compared to \$0.2 million for the same period in 2013. For the year ended December 31, 2014, Spartan incurred \$62.2 million in drilling and completions costs compared to \$1.9 million for the year ended December 31, 2013. Spartan drilled 63 (57.7 net) wells in 2014 including two vertical wells in southeast Saskatchewan in the second quarter of 2014 testing an exploration play. Of the 55.7 net development wells drilled in 2014, 53.7 wells were on production by December 31, 2014.

Spartan incurred \$8.1 million in equipment and facilities capital expenditures in the fourth quarter of 2014 in the form of new well equipping and tie-in costs, well optimizations, well re-activations and facility upgrade projects. For the year ended December 31, 2014, equipment and facilities capital expenditures totaled \$16.3 million. Land and seismic costs for the three months and year ended December 31, 2014 were \$4.3 million and \$6.4 million respectively as the Company continues to expand its land position in its core areas and de-risk future drilling locations by adding to its extensive seismic coverage. Spartan completed five resource property acquisitions in southeast Saskatchewan in 2014 for total consideration of \$164.9 million adding approximately 1,500 boe/d of production and expanding its inventory of future drilling locations.

Corporate Acquisition

On March 31, 2014, Spartan acquired all of the issued and outstanding shares of Renegade Petroleum Ltd in exchange for 117,520,001 common shares of Spartan. Spartan acquired high netback, low decline light oil assets in southeast and west central Saskatchewan with an average working interest of approximately 84 percent and operatorship of approximately 96 percent. The acquisition added approximately 5,200 boe/d of production, approximately 22.7 million boe of proved plus probable reserves, approximately \$548 million in tax pools and a significant inventory of development drilling locations. The acquisition of Renegade Petroleum Ltd. allowed Spartan to create a premier light oil focused high-growth company with significant financial flexibility and a strong financial position.

Resource Property Acquisitions

In 2014, Spartan completed several resource property acquisitions in its core area of southeast Saskatchewan for net consideration of approximately \$164.9 million. Spartan completed the Area 5 resource property acquisition on February 3, 2014 for net consideration of approximately \$32.5 million. The Company acquired a low decline oil property located in the Workman area of southeast Saskatchewan. On July 7, 2014, Spartan acquired interests in undeveloped land and producing petroleum and natural gas properties from an arm's length oil and gas producer for net consideration of approximately \$96.3 million. Spartan further consolidated its asset base in the third and fourth quarters of 2014 by completing additional resource property acquisitions for net consideration of approximately \$36.1. The Company's 2014 resource property acquisitions resulted in the addition of approximately 1,500 boe/d of production, over 7 million boe of proved plus probable reserves and additional undeveloped land acreage providing the Company with additional inventory of development drilling locations.

CAPITALIZATION AND CAPITAL RESOURCES

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 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 from acquisitions and decommissioning obligation expenditures incurred. This metric is used to monitor the Company's overall debt position and monitor the strength of the Company's statement of financial position. The Company's net debt to annualized funds flow from operations ratio for the fourth quarter of 2014 was 0.7 times.

Share Capital

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
Weighted average outstanding common shares⁽¹⁾				
Basic	264,002,195	25,698,675	213,665,978	18,143,826
Diluted	286,627,603	25,698,675	236,703,169	18,143,826
As at December 31, 2014				
Common shares			264,260,327	
Warrants ⁽²⁾			31,254,582	
Common share options ⁽³⁾			9,315,000	

(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 December 31, 2014.

(3) As at December 31, 2014, 685,833 of the options to purchase common shares were vested and exercisable.

Spartan's total capitalization as at December 31, 2014 is as follows:

(\$ thousands)	Amount
Net debt ⁽¹⁾	86,343
Market capitalization ⁽²⁾	737,286
Total capitalization as at December 31, 2014	823,629

(1) Excludes derivative contracts.

(2) As at December 31, 2014, the closing market price of Spartan Energy Corp. shares was \$2.79 per share.

Liquidity

As at December 31, 2014, the Company had available a \$250 million (December 31, 2013 - \$13.25 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 (as defined by the lender) 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.

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 December 31, 2014, the Company had \$74.4 million drawn on the facility, excluding the letter of guarantee discussed below.

As at December 31, 2014, the Company had a letter of guarantee outstanding in the amount of \$1.9 million (December 31, 2013 – \$2.5 million) against the credit facility.

The next borrowing base review is scheduled to occur on or before May 31, 2015.

On an ongoing basis, Spartan will typically utilize three sources of funding to finance its capital expenditure program: internally generated cash flow from operations, debt where deemed appropriate and new equity issues 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 ("COGEH") 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 provision and related asset and expense 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 Renegade 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.

CHANGE IN ACCOUNTING POLICIES

A summary of significant accounting policies used by the Company and changes in the Company's accounting policies are disclosed in note 2 of the Company's December 31, 2014 annual consolidated financial statements.

In May 2013, the IASB issued International Financial Reporting Interpretation Committee (IFRIC) 21 Levies. This clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs. The Company is not currently subjected to significant levies so the impact on the Company was not material. This policy is effective for years beginning on or after January 1, 2014.

IAS 32: Financial Instruments Presentation has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event. The adoption of this standard had no impact on the amounts recorded in the Company's financial statements. This policy is effective for years beginning on or after January 1, 2014.

IAS 36: Impairment of Assets was amended in May 2013 to reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments require retrospective application and were adopted by the Company on January 1, 2014. The adoption of this standard had no impact on the amounts recorded in the Company's financial statements. This policy is effective for years beginning on or after January 1, 2014.

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, 2017 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 on 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.

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.

The Company has lease commitments for office premises that expire in 2018. Future minimum lease payments, including operating costs, are as follows:

As at December 31, 2014 (\$ thousands)	Amount
Less than one year	1,752
Between one and five years	3,797
Total commitment	5,549

OUTLOOK

Spartan's current budget contemplates capital spending of \$105 million in 2015, resulting in the drilling of 68.3 net open-hole wells in southeast Saskatchewan and 4.9 net frac Midale wells. With the volatility in commodity prices, Spartan is actively monitoring our capital spending plans and forecasted cash flows. Our expenditures are largely discretionary and the majority of our remaining capital program is scheduled for the second half of the year, with minimal spending planned in the second quarter. The flexibility of our capital plan provides the ability to reduce capital as warranted to preserve our balance sheet strength. Spartan intends to continue to assess commodity prices and service costs through spring break-up and, in the event oil prices remain below our budget price, Spartan will revisit our capital program prior to resuming drilling late in the second quarter.

Spartan's business plan of measured, sustainable growth has left the Company in a position of strength in the current economic conditions, with a robust balance sheet and an asset base that allows us to grow annual average production within cash flow in a low commodity price environment. The Company intends to continue to take a disciplined approach to capital spending that will allow us to maintain our financial flexibility, positioning the Company to take advantage of attractive acquisition opportunities that may arise in the remainder of the year.