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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 15, 2017 and is management's assessment of the Company's financial and operating results for the quarter and year ended December 31, 2016. This MD&A should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2016 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, 2016 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" or the "Company") 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, 2016 are comprised of the Company and its wholly-owned subsidiaries Renegade Petroleum (North Dakota) Ltd. and Petro Uno Resources Ltd. – North Dakota, which were incorporated under the laws of the State of North Dakota. The Company's head office address is Suite 500, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8. The common shares of the Corporation are listed on the Toronto Stock Exchange under the symbol "SPE".

BASIS OF PRESENTATION

The 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, 2016 Consolidated Financial Statements. This MD&A compares the results of the three months ended December 31, 2016 ("Q4 2016") to the three months ended December 31, 2015 ("Q4 2015") as well as the year ended December 31, 2016 to the year ended December 31, 2015. The terms "fourth quarter of 2016" and "same period of 2015" or similar terms are used throughout this document and refer to the three month periods ended December 31, 2016 and 2015, respectively.

READER ADVISORIES

BOE Disclosure

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

Forward Looking Statements

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

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

Although Spartan believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Spartan can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in Spartan's Annual Information Form for the year ended December 31, 2016.

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 adjusted funds flow from operations, adjusted funds flow from operations per share net debt and net debt excluding finance lease obligations are not prescribed by IFRS. Adjusted 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. Adjusted 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 adjusted funds flow from operations to analyze operating performance and leverage, and considers adjusted 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 adjusted 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 adjusted 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,		
	2016	2015	% change	2016	2015	% change
Cash flow from operating activities	39,756	17,181	131	59,188	70,416	(16)
Transaction costs	378	10	3,680	1,109	12	9,142
Changes in non-cash working capital	(7,176)	(1,025)	600	16,452	(4,140)	(497)
Adjusted funds flow from operations	32,958	16,166	104	76,749	66,288	16

Net debt is calculated as bank debt plus trade and other liabilities plus finance lease obligations less current assets. The following table reconciles bank debt (an IFRS measure) to net debt (a non-IFRS measure):

(\$ thousands)	December 31, 2016	December 31, 2015
Bank debt	217,921	85,516
Trade and other liabilities	38,546	17,864
Finance lease obligations	31,124	-
Current assets	(41,906)	(17,052)
Net debt	245,685	86,328

Spartan management considers net debt excluding finance lease obligations to be a meaningful measure of the Company's leverage and liquidity. The following table reconciles net debt (a non-IFRS measure) to net debt excluding finance lease obligations (a non-IFRS measure):

(\$ thousands)	December 31, 2016	December 31, 2015
Net debt	245,685	86,328
Finance lease obligations	(31,124)	-
Net debt excluding finance lease obligations	214,561	86,328

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

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and the CFO have evaluated the effectiveness of Spartan's disclosure controls and procedures as at December 31, 2016 and have concluded that such disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and the CFO have evaluated the effectiveness of Spartan's internal controls over financial reporting as at December 31, 2016 and have concluded that such internal controls over financial reporting are effective.

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

RESULTS OF OPERATIONS

FOURTH QUARTER 2016 HIGHLIGHTS

- Achieved average production of 15,750 boe/d (90% oil and liquids) in the fourth quarter of 2016, representing a 69% increase over the fourth quarter of 2015 and a 27% increase over the third quarter of 2016.
- Completed an acquisition of oil and gas assets in our southeast Saskatchewan operating area, representing approximately 7,500 boe/d of production, 22.5 MMboe of proved developed producing reserves, 39.3 MMboe of proved plus probable reserves and 98,000 net acres of land, for an aggregate purchase price of approximately \$691.5 million, net of closing adjustments. The acquired assets carry a low base decline of 12% and added 404 net drilling locations.
- Acquired approximately 18 net sections of land in southeast Saskatchewan prospective for drilling unconventional wells in the Torquay formation; with this acquisition the Company now has a total of approximately 22 net sections in southeast Saskatchewan prospective for Torquay light oil.
- Completed equity financings of 180.9 million common shares at a price of \$3.00 per common share for gross proceeds of approximately \$542.6 million.
- Increased the Company's credit facility from \$150 million to \$350 million.
- Achieved quarterly adjusted funds flow from operations of \$33.0 million (\$0.08 per basic and diluted share), representing an increase of 104% over the fourth quarter of 2015 (33% increase on a per share basis).

2016 ANNUAL HIGHLIGHTS

- Spartan completed five consolidating acquisitions in our southeast Saskatchewan operating area in 2016, representing approximately 10,930 boe/d of production, 32.5 MMboe of proved developed producing reserves, 43.3 MMboe of total proved reserves, 63.3 MMboe of proved plus probable reserves and 223,000 net acres of land, for an aggregate purchase price of approximately \$864.8 million, net of closing adjustments.
- The five acquisitions added 718 net drilling locations in the Frobisher, Midale, Tilston and Ratcliffe light oil plays in southeast Saskatchewan.
- Completed three equity financings of 246.2 million common shares for gross proceeds of approximately \$719.6 million.
- Achieved average production of 11,748 boe/d in 2016 (92% oil and liquids), representing a 33% increase over 2015 (13% per debt adjusted share).
- Drilled 62 (53.7 net) development wells and brought 69 (59.6 net) development wells on production in 2016.
- Delivered well results significantly outperforming internal type curves:
- Spartan drilled 42.9 net open-hole Frobisher wells in 2016 (90% success rate), with initial 90 day oil production rates ("IP 90") exceeding our type well by over 30%.

- At Alameda, the Company brought a total of 7.0 net wells on production in 2016 following the acquisition of Wyatt Oil and Gas Inc. in June 2016. These wells achieved an average IP90 oil rate of 159 bopd, approximately 23% above our frac Midale type curve.
- Continued to reduce drilling costs, with drill, complete and equip (“DC&E”) costs for single leg open-hole horizontal wells drilled after the first quarter of 2016 averaging approximately \$600,000.
- The outperformance of our wells and continued costs savings allowed Spartan to deliver organic production growth within cash flow despite depressed commodity prices experienced during the year. Total capital expenditures (excluding acquisitions) of \$75.8 million were less than adjusted funds flow from operations of \$76.7 million. Excluding amounts spent on land and seismic, total capital expenditures represented approximately 82% of adjusted funds flow from operations.

Production

For the three month period ended December 31, 2016, Spartan achieved average total production of 15,750 boe/d compared to 9,319 boe/d for the same period in 2015, a 69 percent increase. Average production for the year ended December 31, 2016 of 11,748 boe/d was 33 percent higher than production for the year ended December 31, 2015 of 8,866 boe/d. Spartan successfully completed five acquisitions in 2016, adding approximately 10,930 boe/d of production as at the closing dates of each acquisition. The five acquisitions, combined with the Company’s successful 2015 and 2016 drilling programs, resulted in an increase in production for the three months and year ended December 31, 2016 compared to the same periods in the prior year. Average production for the three months ended December 31, 2016 of 15,750 boe/d was 27 percent higher than production for the three months ended September 30, 2016 of 12,429 boe/d.

The Company increased its natural gas and NGL weighting in 2016. The acquisition of Wyatt Oil and Gas Inc. (“Wyatt”) in the second quarter of 2016, along with the tie-in of gas volumes from the Midale acquisition in the third quarter of 2016, resulted in additional natural gas and NGLs production. The Company also drilled fracture stimulated Midale wells in the Alameda and Pinto areas of southeast Saskatchewan in 2016 which contributed to the increase in the natural gas and NGL weighting of the Company’s total production.

	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Crude Oil (bbls/d)	13,571	8,411	61	10,270	8,132	26
Natural Gas (mcf/d)	8,922	2,968	201	5,738	2,850	101
Liquids (bbls/d)	692	413	68	522	259	102
Total (boe/d)	15,750	9,319	69	11,748	8,866	33

Oil and Gas Sales

Oil and gas sales for the three month period ended December 31, 2016 increased 99 percent to \$73.9 million from \$37.1 million for the three month period ended December 31, 2015. For the year ended December 31, 2016, oil and gas sales increased by 22 percent to \$188.7 million from \$154.7 million for the same period in the prior year.

The increase in oil and gas sales for the three months ended December 31, 2016 was a result of a 69 percent increase in production volumes in the fourth quarter of 2016 compared to the fourth quarter of 2015. In addition, the Company realized an 18 percent increase in its realized price for oil and gas sales from Q4 2015 to Q4 2016 due to an increase in commodity prices. Oil and gas sales increased by 22 percent for the year ended December 31, 2016, compared to the year ended December 31, 2015 due to a 33 percent increase in production volumes. The increase was offset by a decline in commodity prices for the year ended December 31, 2016, compared to the year ended December 31, 2015, which resulted in an 8 percent decrease in the Company’s realized price for oil and gas sales for the year ended December 31, 2016.

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

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Oil and gas sales by product:						
Light crude oil	70,034	35,887	95	181,031	150,509	20
Natural gas	2,481	681	264	4,700	2,583	82
Natural gas liquids	1,406	556	153	2,935	1,594	84
Total oil and gas sales	73,921	37,124	99	188,666	154,686	22
Total oil and gas sales (\$/boe) ⁽¹⁾	51.02	43.30	18	43.88	47.80	(8)

(1) Prior to realized derivative contracts

Commodity Pricing

All of Spartan's crude oil was sold into the spot market during the three months and year ended December 31, 2016. Spartan's realized price for its light crude oil and NGLs in the fourth quarter of 2016 was \$54.45/bbl compared to a realized price of \$44.89/bbl in the fourth quarter of 2015. For the year ended December 31, 2016, the Company's realized price for its light crude oil and NGLs was \$46.58/bbl compared to a realized price of \$49.67/bbl for the year ended December 31, 2015. The Company realized a gas price of \$3.02/mcf in the fourth quarter of 2016 compared to \$2.49/mcf in the same period of 2015 and realized a gas price of \$2.24/mcf for the year ended December 31, 2016 compared to \$2.48/mcf for the year ended December 31, 2015.

Spartan's production is sold in Canada and is sensitive to commodity price variation and changes in the Canada/U.S. currency exchange rate as well as quality price differentials. Spartan's crude oil price realizations are influenced by changes to various crude benchmarks, including, but not limited to, Canadian LSB at Cromer, Manitoba. Commodity prices are affected by both domestic and international factors that are beyond the control of the Company. In addition, prices received for crude oil and NGLs are determined by the quality of the crude compared to a benchmark price for light oils. The increase in Spartan's realized price for crude oil and NGLs in Q4 2016 compared to Q4 2015 is consistent with the increase in the Canadian LSB benchmark at Cromer, Manitoba. The 16 percent increase in the benchmark from Q4 2015 to Q4 2016 is consistent with the 21 percent increase in the Company's average realized price for light crude oil and NGLs over the same period.

	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Average Benchmark Prices						
Crude oil – WTI (US\$ per bbl)	49.29	42.18	17	43.32	48.80	(11)
Crude oil – WTI (CDN\$ per bbl)	65.52	56.22	17	57.18	62.12	(8)
Crude oil – Cromer LSB (35 API) (\$ per bbl)	60.22	51.71	16	51.35	55.57	(8)
Natural gas – AECO-C Spot (\$ per MMBtu)	3.11	2.48	25	2.18	2.70	(19)
Exchange rate – (US/CAD)	0.75	0.75	-	0.76	0.78	(3)
Spartan's Average Realized Prices						
Crude oil and natural gas liquids (\$ per bbl) ⁽¹⁾	54.45	44.89	21	46.58	49.67	(6)
Natural gas (\$ per mcf) ⁽¹⁾	3.02	2.49	21	2.24	2.48	(10)

(1) Prior to realized derivative contracts

Royalties

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

30, 2002 are charged at a rate of 1.7% on all oil and gas sales. As Saskatchewan revenues vary, this cost is expected to fluctuate in direct correlation.

For the three months ended December 31, 2016, total royalties were \$11.1 million compared to \$5.5 million for the same period of 2015. The Company's average royalty rate for the three months ended December 31, 2016 was 15 percent of sales compared to 15 percent for the same period of 2015. The increase in royalties from the fourth quarter of 2015 to the fourth quarter of 2016 is consistent with the increase in oil and gas sales over the same period. For the year ended December 31, 2016, royalties were \$28.3 million, or 15 percent of sales, as compared to \$23.9 million, or 15 percent of sales, for the same period in 2015. The increase in royalties for the year ended December 31, 2016 compared to the same periods of 2015 is consistent with the increase in oil and gas sales over the same period.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Royalties	11,124	5,520	102	28,329	23,919	18
\$ per boe	7.68	6.44	19	6.59	7.39	(11)
% of oil and gas sales	15	15	-	15	15	-

Financial Derivative Instruments

As at December 31, 2016, the Company had no crude oil or natural gas commodity contracts in place. The following crude oil commodity contract expired on December 31, 2016. The gain related to this financial derivative contract is included in the Company's net loss for the year ended December 31, 2016.

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

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

(2) NYMEX WTI monthly average price.

The following table summarizes the realized and unrealized gains and losses on the Company's financial derivative contracts for the three months and years ended December 31, 2016 and 2015.

(\$ thousands)	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Realized loss on derivative contracts	(160)	-	(222)	-
Unrealized gain on derivative contracts	161	-	426	-
Gain on derivative contracts	1	-	204	-

Operating & Transportation

Operating and transportation costs totaled \$26.0 million, or \$17.96/boe, for the three months ended December 31, 2016 as compared to \$14.1 million, or \$16.48/boe, in the fourth quarter of 2015. For the year ended December 31, 2016, operating and transportation costs totaled \$72.3 million, or \$16.81/boe, compared to \$55.7 million, or \$17.23/boe, for the same period in the prior year.

Operating and transportation costs increased for the three months and year ended December 31, 2016, compared to the same periods in the prior year, primarily as a result of the Company's five acquisitions in 2016. Spartan added approximately 10,930 boe/d of production from the acquisitions, on their respective closing dates, which resulted in increased lifting costs associated with the increased volumes.

Operating and transportation costs increased on a per boe basis in the fourth quarter of 2016, compared to the fourth quarter of 2015, due to the acquisition of higher operating cost properties in the summer of 2016 and due to ongoing maintenance and well servicing that, once completed, resulted in increased production levels. Certain wells acquired by Spartan in the summer of 2016 produce at higher total fluid levels resulting in increased water handling charges and increased utilities costs. Operating

and transportation costs also included maintenance expenditures and well servicing costs on the assets acquired by the Company in the second half of 2016. Once the acquisitions closed, Spartan proactively identified a number of wells as workover candidates and completed several of these projects in the third and fourth quarters of 2016. These workovers increased operating and transportation costs but also contributed to an increase in the Company's base production.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Operating and transportation costs	26,017	14,128	84	72,291	55,742	30
Operating and transportation costs (\$ per boe)	17.96	16.48	9	16.81	17.23	(2)

General and Administrative Expenses

During the fourth quarter of 2016, general and administrative expenses (G&A), net of capitalized and overhead recovery amounts, were \$1.8 million, or \$1.23/boe, as compared to the quarter ended December 31, 2015 where net G&A expenses were \$0.6 million, or \$0.71/boe. Gross G&A expenses, prior to the effects of capitalized and overhead recoveries amounts, were \$4.1 million, or \$2.86/boe, as compared to the quarter ended December 31, 2015 where gross G&A expenses were \$2.1 million, or \$2.50/boe. For the year ended December 31, 2016, G&A, net of capitalized and overhead recovery amounts, was \$7.2 million, or \$1.69/boe, as compared to the December 31, 2015 amounts of \$5.6 million, or \$1.72/boe. Gross G&A expenses prior to the effects of capitalized and overhead recoveries amounts were \$14.7 million, or \$3.43/boe, for the year ended December 31, 2016 as compared to the same period of 2015 where gross G&A expenses were \$11.7 million, or \$3.61/boe.

G&A expenses increased for both the three months and year ended December 31, 2016, compared to the same periods in the prior year, due to an increase in corporate overhead cost requirements necessary to support the Company's growth. Spartan completed five acquisitions in 2016 growing production by 69 percent from Q4 2015 to Q4 2016.

In addition, G&A expenses were lower in 2015 due to Spartan's decision to forego the payment of cash bonuses to its employees for the 2015 fiscal year. In light of the challenging economic environment facing the industry, Spartan management and its Board of Directors elected to preserve cash flow and continued to focus on cost saving initiatives and balance sheet strength. The Company had accrued cash bonuses through the first three quarters of 2015 in anticipation of a payout in the fourth quarter of 2015 or early 2016. When the decision was made to forego 2015 cash bonuses, the accrual was reversed, resulting in a reduction in the Company's G&A and G&A per boe in the fourth quarter of 2015.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Gross general and administrative expenses	4,149	2,147	93	14,742	11,670	26
Less - recoveries	(1,611)	(1,211)	33	(4,824)	(4,243)	14
Less - capitalized	(755)	(330)	129	(2,670)	(1,850)	44
General and administrative expenses	1,783	606	194	7,248	5,577	30
Net general and administrative expenses (\$/boe)	1.23	0.71	73	1.69	1.72	(2)
Gross general and administrative expenses (\$/boe)	2.86	2.50	14	3.43	3.61	(5)

Interest Expense

Interest expense, net of interest income, for the three month period ended December 31, 2016 was \$1.9 million compared to \$0.7 million for the same period of 2015. Interest expense, net of interest income, for the year ended December 31, 2016 was \$3.8 million compared to \$3.2 million for the same period of 2015.

As part of the acquisition of Wyatt Oil and Gas Inc. on June 23, 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 eight year financial commitment was identified as a finance lease under IAS 17 - Leases. The finance lease obligation is presented as a current and non-current liability on the Statement of Financial Position (see note 7 of the Consolidated Financial Statements). Monthly payments are made to the third party plant operator and are accounted for as

payments of principal outstanding on the finance lease obligation as well as interest expense accrued on the outstanding obligation. In the fourth quarter of 2016, \$0.5 million was recognized as interest expense accrued on the outstanding principal. For the year ended December 31, 2016, the Company recognized \$0.6 million in interest expense related to the finance lease obligation.

In the fourth quarter of 2016, the Company drew on its credit facility to finance a portion of the \$691.5 million asset acquisition that closed on December 8, 2016. As at December 31, 2016, the Company had \$217.9 million drawn on its credit facility compared to \$85.5 million drawn on its credit facility at December 31, 2015. The larger bank debt balance outstanding in the month of December 2016, as a result of the asset acquisition, also contributed to the increase in the Company's interest expense in the fourth quarter of 2016.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Interest expense	1,879	704	167	3,827	3,160	21
Interest expense (\$ per boe)	1.30	0.82	59	0.89	0.98	(9)

Depletion and Depreciation

For the fourth quarter of 2016, depletion and depreciation expense was \$32.9 million, or \$22.73/boe, as compared to the quarter ended December 31, 2015 where the expense was \$22.9 million, or \$26.72/boe. For the year ended December 31, 2016, depletion and depreciation expense was \$103.3 million, or \$24.02/boe, as compared to the 2015 expense of \$95.7 million, or \$29.59/boe.

The increase in depletion and depreciation expense for the three months and year ended December 31, 2016, compared to the same periods in the prior year, is due to an increase in costs subject to depletion as a result of the five acquisitions completed by the Company in 2016. The decrease in depletion and depreciation expense per boe for the three months and year ended December 31, 2016 is a result of the Company increasing proved plus probable reserves volumes at a higher rate than the associated increase in current and future development capital. The Company was able to add proved plus probable reserve volumes in 2016 at a lower cost compared to the same periods in the prior year.

(\$ thousands, except per boe amounts)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Total depletion and depreciation	32,933	22,906	44	103,266	95,740	8
Depletion and depreciation (\$/boe)	22.73	26.72	(15)	24.02	29.59	(19)

Income taxes

The Company recorded a deferred income tax recovery of \$9.1 million for the year ended December 31, 2016, as compared to a deferred income tax recovery of \$29.1 million for the same period in the prior year.

As at December 31, 2016, the Company had approximately \$1.8 billion of tax pools and losses available to reduce future taxable income, as compared to \$758 million tax pools and losses available as at December 31, 2015. The increase in tax pools and losses available is a result of the five acquisitions completed during the year.

(\$thousands of dollars)	December 31, 2016
COPGE	904,448
CDE	299,359
CEE	34,626
UCC	139,420
CEC	599
SR&ED	4,027
Share issue costs	32,833
Tax losses	379,629
Total	1,794,941

Adjusted Funds Flow from Operations and Net Loss

For the three months ended December 31, 2016, adjusted funds flow from operations increased by 104 percent to \$33.0 million compared to \$16.2 million during the same period of 2015. Basic and diluted adjusted funds flow from operations per share were \$0.08 per share in the fourth quarter of 2016 compared to \$0.06 per basic and diluted share during the same period of 2015. Adjusted funds flow from operations increased in the fourth quarter of 2016, compared to the fourth quarter of 2015, due to an increase in production volumes as a result of the Company's five acquisitions in 2016 as well as its successful 2015 and 2016 drilling programs. Average total production was 15,750 boe/d in the fourth quarter of 2016 compared to 9,319 boe/d in the fourth quarter of 2015. The average realized oil and gas sales price also increased in fourth quarter of 2016 compared to the fourth quarter of 2015 as a result of an increase in commodity prices. The increase in adjusted funds flow from operations due to increased oil and gas sales was offset by increased operating and transportation expenses, general and administrative expenses and interest expense as the Company incurred additional costs to support the year over year growth.

For the year ended December 31, 2016, adjusted funds flow from operations increased by 16 percent to \$76.7 million compared to \$66.3 million during the same period of 2015. Basic and diluted adjusted funds flow from operations per share for the year ended December 31, 2016 were \$0.24 per share and \$0.22 per share respectively compared to \$0.25 per basic and \$0.23 per diluted share during the same period of 2015. The increase in adjusted funds flow from operations for the year ended December 31, 2016, compared to the same period in the prior year, was due to an increase in production volumes as a result of the Company's five acquisitions in 2016 as well as its successful 2015 and 2016 drilling programs. Average total production was 11,748 boe/d for the year ended December 31, 2016 compared to 8,866 boe/d for the same period of 2015. The increase in production was offset by lower realized pricing due to the decline in commodity prices.

The Company realized a net loss of \$3.2 million in the fourth quarter of 2016 compared to a net loss of \$26.1 million for the same period of 2015. Basic and diluted net loss per share for the quarter was \$0.01 compared to a basic and diluted net loss per share of \$0.10 during the same period of 2015. The Company realized a net loss of \$18.6 million for the year ended December 31, 2016 compared to a net loss of \$77.8 million for the same period of 2015. Basic and diluted net loss per share for the year was \$0.06 compared to a basic and diluted net loss per share of \$0.29 for the same period of 2015. Spartan recognized a \$58.0 million impairment charge, including a \$24.0 million charge in the fourth quarter, to its properties and equipment in 2015 which contributed to the \$26.1 million net loss realized in the fourth quarter of 2015 and the \$77.8 million net loss recognized for the year ended December 31, 2015. No impairment charges were recognized in 2016.

(\$ thousands)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Adjusted funds flow from operations	32,958	16,166	104	76,749	66,288	16
Adjusted funds flow from operations per share basic	0.08	0.06	33	0.24	0.25	(4)
Adjusted funds flow from operations per share diluted	0.08	0.06	33	0.22	0.23	(4)
Net loss	(3,175)	(26,120)	(88)	(18,613)	(77,778)	(76)
Net loss per share basic and diluted	(0.01)	(0.10)	(90)	(0.06)	(0.29)	(79)

The following tables summarize the netbacks on a total dollar and per boe basis for the three months and years ended December 31, 2016 and December 31, 2015.

(\$ thousands)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Oil and gas sales	73,921	37,124	99	188,666	154,686	22
Realized loss on derivative contracts	(160)	-	n/a	(222)	-	n/a
Net realized oil and gas sales	73,761	37,124	99	188,444	154,686	22
Royalties	(11,124)	(5,520)	102	(28,329)	(23,919)	18
Operating and transportation costs	(26,017)	(14,128)	84	(72,291)	(55,742)	30
Operating netback	36,620	17,476	110	87,824	75,025	17
General and administrative expenses	(1,783)	(606)	194	(7,248)	(5,577)	30
Interest expense	(1,879)	(704)	167	(3,827)	(3,160)	21
Adjusted funds flow from operations	32,958	16,166	104	76,749	66,288	16

(\$ per boe)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Oil and gas sales price	51.02	43.30	18	43.88	47.80	(8)
Realized loss on derivative contracts	(0.11)	-	n/a	(0.05)	-	n/a
Net realized oil and gas sales price	50.91	43.30	18	43.83	47.80	(8)
Royalties	(7.68)	(6.44)	19	(6.59)	(7.39)	(11)
Operating and transportation costs	(17.96)	(16.48)	9	(16.81)	(17.23)	(2)
Operating netback	25.27	20.38	24	20.43	23.18	(12)
General and administrative expenses	(1.23)	(0.71)	73	(1.69)	(1.72)	(2)
Interest expense	(1.30)	(0.82)	59	(0.89)	(0.98)	(9)
Corporate netback	22.74	18.85	21	17.85	20.48	(13)

Selected Annual Information

The following table summarizes key financial and operating information over the most recently completed financial years:

Annual Summaries (\$ thousands, except per boe and per share amounts)	2016	2015	2014
Production (boe/d)	11,748	8,866	5,899
Average realized price (\$/boe) – excluding derivatives	43.88	47.80	80.76
Oil and gas sales	188,666	154,686	173,872
Net income (loss)	(18,613)	(77,778)	24,335
Earnings (loss) per share - basic	(0.06)	(0.29)	0.11
Earnings (loss) per share – diluted	(0.06)	(0.29)	0.10
Adjusted funds flow from operations	76,749	66,288	85,793
Adjusted funds flow from operations per share - basic	0.24	0.25	0.40
Adjusted funds flow from operations per share - diluted	0.22	0.23	0.36
Total assets	1,860,423	825,359	901,955
Capital expenditures - excluding acquisitions	75,763	66,833	87,417
Capital expenditures - including acquisitions	854,709	68,172	252,325
Net debt	245,685	86,328	86,343
Net debt excluding finance lease obligations	214,561	86,328	86,343

Summary of Quarterly Results

Summarized quarterly information for the last eight quarters is presented below:

Quarterly Summaries (\$ thousands, except per boe and per share amounts)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Production (boe/d)	15,750	12,429	9,080	9,683
Average realized price (\$/boe) – excluding derivatives	51.02	44.20	43.83	31.77
Oil and gas sales	73,921	50,534	36,217	27,994
Net income (loss)	(3,175)	4,102	(6,659)	(12,881)
Earnings per share - basic	(0.01)	0.01	(0.02)	(0.05)
Earnings per share – diluted	(0.01)	0.01	(0.02)	(0.05)
Adjusted funds flow from operations	32,958	18,922	16,265	8,605
Adjusted funds flow from operations per share - basic	0.08	0.06	0.05	0.03
Adjusted funds flow from operations per share - diluted	0.08	0.05	0.05	0.03

Quarterly Summaries (\$thousands of dollars, except per boe amounts)	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Production (boe/d)	9,319	8,042	8,710	9,402
Average realized price (\$/boe) – excluding derivatives	43.30	47.40	56.56	44.52
Oil and gas sales	37,124	35,068	44,822	37,672
Net income (loss)	(26,120)	(33,388)	(6,387)	(11,883)
Earnings per share - basic	(0.10)	(0.13)	(0.02)	(0.04)
Earnings per share – diluted	(0.10)	(0.13)	(0.02)	(0.04)
Adjusted funds flow from operations	16,166	14,341	22,266	13,515
Adjusted funds flow from operations per share - basic	0.06	0.05	0.08	0.05
Adjusted funds flow from operations per share - diluted	0.06	0.05	0.08	0.05

The Spartan management team recapitalized Alexander Energy Ltd. on December 10, 2013 and acquired Renegade Petroleum Ltd. on March 31, 2014. Since commencing operations after the recapitalization of Alexander Energy Ltd, Spartan's management team has significantly grown the Company's asset and production base through a combination of successful development drilling and accretive acquisitions. Spartan acquired Renegade Petroleum Ltd. on March 31, 2014, completed five additional resource property acquisitions in 2014 and completed four additional resource property acquisitions in 2016 along

with the corporate acquisition of Wyatt Oil and Gas Inc. on June 23, 2016. Spartan has amassed a significant land base in southeast Saskatchewan with an extensive inventory of drilling locations that position the Company for future growth.

As commodity prices began to deteriorate in the second half of 2014, Spartan focused on the strength of its balance sheet and on cost saving initiatives while spending within adjusted funds flow from operations. Commodity price weakness continued through 2015 and 2016 resulting in decreases to the Company's realized price for oil and gas sales. This translated into lower quarterly oil and gas sales and adjusted funds flow from operations in 2015 compared to 2014 and lower oil and gas sales and adjusted funds flow from operations in the first and second quarters of 2016 compared to the same periods in 2015. As commodity prices began to rebound in the second half of 2016, the trend of declining oil and gas sales and adjusted funds flow from operations came to an end as Spartan realized an increase to oil and gas sales and adjusted funds flow from operations in the third and fourth quarters of 2016 compared to the third and fourth quarters of 2015. The Company's realized price for oil and gas sales for the fourth quarter of 2016 increased by 15% compared to third quarter of 2016 and 18% compared to fourth quarter of 2015. Crude oil prices hit their lowest point since 2009 in the first quarter of 2016 when the WTI benchmark averaged USD \$33.45/bbl. WTI averaged USD \$45.59/bbl in the second quarter, USD \$44.94/bbl in the third quarter and USD \$49.29/bbl in the fourth quarter of 2016. More consistent oil prices from the second quarter through the fourth quarter of 2016 resulted in Spartan realizing an increase in oil and gas sales and adjusted funds flow from operations in 2016 compared to the 2015 and 2014 years due to the increase in production volumes.

Spartan continues to drill economic conventional Mississippian open-hole wells, primarily in the Queensdale and Winmore core areas of southeast Saskatchewan, and unconventional fracture stimulated Midale wells in the Alameda and Pinto core areas of southeast Saskatchewan to maintain and grow production organically. Production stabilized between 8,700 boe/d and 9,700 boe/d in 2015 and the first six months of 2016 as the Company committed to spending within adjusted funds flow from operations in a depressed commodity price environment. Spartan took advantage of the weakness in commodity prices and the Company's strong balance sheet by seeking out and executing on accretive acquisitions that resulted in significant production per share growth in 2016. As a result of the incremental production from the five acquisitions completed in 2016 as well as increases in production realized from workover and reactivation projects completed on the acquired assets and the Company's successful drilling program, Spartan achieved record average total production of 15,750 boe/d in the fourth quarter of 2016. This record average production realized in the fourth quarter of 2016 resulted in a 99 percent increase in oil and gas sales and a 104 percent increase in adjusted funds flow from operations in the fourth quarter of 2016 compared to the same period of 2015. Spartan realized a 27 percent increase in its average production from Q3 2016 to Q4 2016 which translated into a 46 percent increase in oil and gas sales and a 74 percent increase in adjusted funds flow from operations from the third quarter of 2016 to the fourth quarter of 2016.

Spartan's corporate strategy remains unchanged despite continued weakness in commodity prices. Through 2015 and 2016, Spartan's focus has been on preserving the flexibility of its balance sheet by spending within adjusted funds flow from operations and taking advantage of acquisition opportunities afforded by the downturn in the commodity cycle. The Company has remained diligent through this time period, focusing on acquiring high quality oil assets at a price that will deliver long term value to its shareholders. The Company successfully closed three bought-deal equity financings and one private placement equity financing in 2016 and has used a portion of these net proceeds to finance acquisitions. The Company successfully closed the corporate acquisition of Wyatt Oil and Gas Inc. on June 23, 2016 and the Greater Corning-Manor and Winmore asset acquisitions in the second quarter of 2016. On August 3, 2016, the Company successfully closed the Midale asset acquisition. On December 8, 2016, the Company successfully closed the ARC asset acquisition that added approximately 7,500 boe/d of production, 22.5 MMboe of proved developed producing reserves, 26.9 MMboe of total proved reserves and 39.3 MMboe of proved plus probable reserves. In total, the five acquisitions completed in 2016 added approximately 10,930 boe/d of light oil focused production, 32.5 MMboe of proved developed producing reserves, 43.3 MMboe of total proved reserves, 63.3 MMboe of proved plus probable reserves, 223,000 net acres of land and 718 net drilling locations.

At December 31, 2016, Spartan's net debt was \$245.7 million. Excluding the Company's finance lease obligations, Spartan's net debt was approximately \$214.6 million with available liquidity of approximately \$135.4 million on the Company's \$350 million credit facility. Spartan management continues to believe that the current economic environment lends itself to preserving capital to deploy on accretive acquisitions, and the Company intends to continue to preserve the strength of its balance sheet by maintaining spending within adjusted funds flow from operations in 2017. Spartan will maintain flexibility in its capital program and adjust spending based on prevailing commodity prices, while continuing to seek out opportunities to add additional long term value through accretive acquisitions.

Capital Expenditures

The following table details the cash capital additions relating to the Company's properties and equipment and exploration and evaluation assets for the three months and year ended December 31, 2016 and 2015:

(\$ thousands)	For the three months ended December 31,			For the year ended December 31,		
	2016	2015	% change	2016	2015	% change
Drilling & Completions	14,933	11,670	28	43,194	41,993	3
Equipment & Facilities	3,502	5,584	(37)	15,966	21,437	(26)
Land & Seismic	11,807	313	3,672	13,933	1,553	797
Other	755	120	529	2,670	1,640	63
Total capital expenditures - excluding acquisitions	30,997	17,687	75	75,763	66,623	14
Acquisitions	691,023	1,035	66,665	778,946	1,549	50,187
Total capital expenditures - including acquisitions	722,020	18,722	3,757	854,709	68,172	1,154

Drilling and completions costs for the three months ended December 31, 2016 were \$14.9 million compared to \$11.7 million for the same period in 2015. For the year ended December 31, 2016, Spartan incurred \$43.2 million in drilling and completions costs compared to \$42.0 million for the year ended December 31, 2015.

Spartan drilled 62 (53.7 net) development wells in 2016 and brought 69 (59.6 net) wells on production including 2 (2.0 net) wells re-entered or re-completed. Spartan also drilled 7 (6.1 net) stratigraphic test wells in southeast Saskatchewan in 2016. The drilling and completion costs on the stratigraphic test wells fulfilled the Company's 2015 flow through share capital commitment. As at December 31, 2016, Spartan had drilled 2 (2.0) net wells that were awaiting completion. These two wells were completed and brought on production in January 2017. Spartan continues to reduce drilling costs, with drill, complete and equip ("DC&E") costs for single leg open-hole horizontal wells drilled after the first quarter of 2016 averaging approximately \$600,000. DC&E costs for dual leg open-hole horizontal wells averaged approximately \$700,000 in the same period.

A summary of Spartan's drilling activity in 2016 is provided below.

2016 Drilling Program	Development Wells Spud		Development Wells On Production		Exploratory Wells Spud	
	Gross	Net	Gross	Net	Gross	Net
As at December 31, 2016						
Southeast Saskatchewan – Conventional Mississippian	48	42.9	46	40.9	7	6.1
Southeast Saskatchewan – Frac Midale	14	10.8	16	12.8	-	-
West Central Saskatchewan – Frac Viking	-	-	7	5.9	-	-
Total	62	53.7	69	59.6	7	6.1

Spartan incurred \$3.5 million in equipment and facilities capital expenditures in the fourth quarter of 2016 in the form of new well equipping and tie-in costs, well optimizations, facility improvements and pipeline capital. For the year ended December 31, 2016, equipment and facilities capital expenditures totaled \$16.0 million. Land and seismic costs for the three months and year ended December 31, 2016 were \$11.8 million and \$13.9 million respectively. Spartan spent \$11.8 million in the fourth quarter of 2016 acquiring undeveloped land with the intention to exploit a new Torquay light oil pool in southeast Saskatchewan. Spartan expects to drill 3.0 net wells in the unconventional light oil Torquay play in the second half of 2017.

Spartan executed on its capital program in 2016 while spending within adjusted funds flow from operations in a low commodity price environment. With the volatility in commodity prices, Spartan continues to monitor its capital spending plans and forecasted cash flows. Capital expenditures are largely discretionary and the flexibility of the capital plan provides the ability to allocate capital as warranted to preserve the strength of the Company's balance sheet. Spartan spent \$75.8 million in capital expenditures (excluding acquisitions) in 2016 while generating \$76.7 million in adjusted funds flow from operations over the twelve month period.

ARC Acquisition

On December 8, 2016, Spartan completed the acquisition of certain oil and gas assets in southeast Saskatchewan (the "ARC Acquisition") for total cash consideration, net of closing adjustments, of \$691.5 million, excluding transaction costs. The acquisition included approximately 7,500 boe/d (98% light oil and liquids) of low-decline production, 22.5 MMboe of proved developed producing reserves, 26.9 MMboe of total proved reserves, 39.3 MMboe of proved plus probable reserves and 98,000 net acres of land.

The acquired assets are characterized by a low base decline of approximately 12% and include a large suite of opportunities including 404 net drilling locations, recompletion opportunities and waterflood expansion across an extensive land base spanning the conventional Mississippian fairway. The acquired assets include working interest ownership in two world class CO₂ enhanced oil recovery ("EOR") projects as well as ownership in strategic infrastructure across the asset base that supports both current and future volumes. The ARC acquisition also includes ownership of a significant proprietary 2D and 3D seismic database.

Midale Acquisition

On August 3, 2016, Spartan completed the acquisition of certain oil and gas assets located in the Midale fairway of southeast Saskatchewan (the "Midale Acquisition") for total cash consideration, net of closing adjustments, of \$23.4 million, excluding transaction costs. Upon closing of the Midale Acquisition, the assets acquired were producing approximately 450 boe/d (93% light oil and liquids) and included approximately 29.2 net sections of land.

Greater Corning-Manor Acquisition

On June 30, 2016, Spartan completed the acquisition of certain oil and gas assets in the Alida, Tilston and Souris Valley fairways of southeast Saskatchewan (the "Corning-Manor Acquisition") for total cash consideration, net of closing adjustments, of \$62.0 million, excluding transaction costs. The Corning-Manor acquisition included approximately 1,500 boe/d (99% light oil and liquids) of low-decline production, all required production infrastructure, 1,141 km² of proprietary 3D seismic and 547 km of proprietary 2D seismic. Spartan initially identified 42.5 net open-hole Mississippian drilling locations on the assets.

Wyatt Oil + Gas Inc. Acquisition

On June 23, 2016, Spartan completed the acquisition of Wyatt Oil + Gas Inc. ("Wyatt"), a privately held corporation with light oil assets in southeast Saskatchewan, for total consideration of \$78.5 million. The total consideration was comprised of the issuance of 11.4 million common shares of Spartan and the assumption of approximately \$43.6 million of net debt.

The acquisition of Wyatt included approximately 1,330 boe/d (76% light oil and liquids) of production focused in the Alameda and Elcott areas of southeast Saskatchewan. The assets are comprised of approximately 45 net sections of land prospective for both Midale and Frobisher light oil and are complementary to Spartan's existing southeast Saskatchewan core areas. Spartan initially identified over 177 (162 net) Mississippian drilling locations across the asset base comprised of 79 (75 net) frac Midale locations and 98 (87 net) open-hole Midale and Frobisher locations.

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

Winmore Acquisition

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

The Winmore area has recently been a key driver of growth for Spartan with wells significantly outperforming Spartan's internal type curves. In addition, the consolidation of working interests in portions of the pool will allow Spartan to accelerate future waterflood projects in the area. Total consideration for the Winmore Acquisition, net of closing adjustments, was \$9.4 million excluding transaction costs, comprised of cash in the amount of \$2.1 million and 2.3 million common shares of Spartan.

2016 Acquisitions Summary

A summary of the five acquisitions completed in 2016 is as follows:

- Total purchase price of approximately \$864.8 million (net of closing adjustments)
- 10,930 boe/d of light oil production (95% oil and liquids)
- 223,262 net acres of land
- 718 net drilling locations
- 32.5 MMboe of Proved Developed Producing reserves
- 43.3 MMboe of Total Proved reserves
- 63.3 MMboe of Proved plus Probable reserves

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

CAPITALIZATION AND CAPITAL RESOURCES

The Company's objective when managing capital is to maintain a capital structure which allows the Company to execute its growth strategy through strategic acquisitions and expenditures on exploration and development activities, while maintaining a strong financial position. The Company evaluates its ability to carry on business as a going concern on a quarterly basis. The Company considers its capital structure to include share capital and net debt excluding finance lease obligations (defined as bank debt plus trade and other liabilities 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. 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 (excluding finance lease obligations) 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 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 (excluding finance lease obligations) to annualized adjusted funds flow from operations ratio for the fourth quarter of 2016 was 1.7 times. Exclusive of the incremental net debt incurred to finance the Company's December 8, 2016 asset acquisition and exclusive of the corresponding increase to adjusted funds flow from operations generated from the acquisition closing date to the December 31, 2016 year end date, the Company's net debt excluding finance lease obligations to annualized adjusted funds flow from operations ratio for the fourth quarter of 2016 was 0.5 times.

Share Capital

	For the three months ended December 31,		For the twelve months ended December 31,	
	2016	2015	2016	2015
Weighted average outstanding common shares⁽¹⁾				
Basic	392,998,639	264,437,854	325,705,339	264,312,344
Diluted	418,986,991	285,649,164	350,833,546	286,798,573
As at December 31, 2016				
Common shares			525,802,922	265,093,225
Warrants ⁽²⁾			31,236,249	31,246,249
Common share options ⁽³⁾			11,082,000	12,100,000
Restricted share units ⁽⁴⁾			1,146,881	-

(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, 2016.

(3) As at December 31, 2016, 6,974,833 of the options to purchase common shares were vested and exercisable.

(4) As at December 31, 2016 there were no vested and exercisable restricted share units outstanding.

Spartan's total capitalization as at December 31, 2016 is as follows:

(\$ thousands)	Amount
Net debt ⁽¹⁾	245,685
Market capitalization ⁽²⁾	1,750,924
Total capitalization as at December 31, 2016	1,996,609

(1) Includes finance lease obligations of \$31.1 million at December 31, 2016. Excluding finance lease obligations, net debt was \$214.6 million and total capitalization was \$1,965.5 million at December 31, 2016.

(2) As at December 30, 2016, the closing market price of Spartan Energy Corp. shares was \$3.33 per share.

Liquidity

Bank Debt

As at December 31, 2016, the Company had available a \$350 million (December 31, 2015 - \$150 million) syndicated revolving demand credit facility with six Canadian chartered banks. Spartan's credit facility was increased to \$350 million on December 8, 2016, concurrent with the closing of the Company's \$691.5 million asset acquisition. The credit facility bears interest on a grid system which ranges from bank prime plus 1.0 percent to bank prime plus 4.5 percent depending on the Company's debt to EBITDA ratio ranging from less than or equal to 1:1 to greater than 3.5:1. The amount of the facility is subject to a borrowing base test performed at least annually, primarily based on reserves, using commodity prices estimated by the lender, as well as other factors. As at December 31, 2016 the Company was in compliance with all of its covenants.

The credit facility provides that advances may be made by way of direct prime rate loans, USBR loans, LIBOR loans, bankers' acceptances, letters of credit or letters of guarantee. The facility is secured by a \$1.0 billion debenture and a general security agreement over all the petroleum and natural gas assets of the Company. As at December 31, 2016, the Company had \$217.9 million drawn on the facility, excluding the letter of guarantee discussed below (December 31, 2015 - \$85.5 million).

As at December 31, 2016, the Company had a letter of guarantee outstanding in the amount of \$2.5 million against the credit facility (December 31, 2015 - \$1.9 million). The next borrowing base review is scheduled to occur on or before May 26, 2017.

Finance Lease Obligations

As part of the acquisition of Wyatt, 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 those 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. 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. As at December 31, 2016, the finance lease obligation of \$31.1 million was recorded as a liability on the Consolidated Statements of Financial Position. The finance lease bears interest at an implicit rate of 5.71 percent.

As at December 31, 2016, Spartan's net debt was \$245.7 million, including finance lease obligations. Excluding the Company's finance lease obligations, Spartan's net debt was approximately \$214.6 million with available liquidity of approximately \$135.4 million on the Company's \$350 million credit facility.

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

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

OFF BALANCE SHEET ARRANGEMENTS

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

USE OF ESTIMATES AND JUDGMENTS

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

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

(i) Use of Estimates

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

Reserve estimates

The Company's reserves have been evaluated in accordance with the Canadian Oil and Gas Evaluation Handbook and comply with the standards that govern all aspects of reserves as prescribed in National Instrument 51-101, Standards of Disclosure for

Oil and Gas Activities ("NI 51-101"). Under NI 51-101 standards, proved plus probable reserves are considered a "best estimate" of future recoverable reserves.

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

Decommissioning provisions

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

Business combinations

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

Share-based compensation

Compensation expense recognized for the Company's share-based compensation plan is accrued over the vesting period based on fair values. Fair values are determined using the Black-Scholes option pricing model while the fair value of restricted and performance awards are valued based on the closing share price on the 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 properties and equipment requires management to make certain judgments as to future events and is based on whether economic quantities of proved plus probable reserves have been found to determine a project's technical feasibility and commercial viability.

Joint control

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

Income taxes

Judgments are made by management at the end of the reporting period to determine the likelihood that deferred income tax assets will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make judgments related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in profit or loss in the period in which the change occurs.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

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

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

In April 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows" and IAS 12 "Income Taxes" for annual periods beginning on or after January 1, 2017, with earlier application permitted. IAS 7 and IAS 12 have been revised to incorporate

amendments issued by the IASB in January 2016. The amendments to IAS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Company is currently evaluating the impact of the amendments on the Consolidated Financial Statements. Spartan is currently evaluating the impact of the standard on the Company's Consolidated Financial Statements.

BUSINESS RISKS

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

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

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

Prices, Markets and Marketing of Crude Oil and Natural Gas

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

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

Risk Management

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

Exploration Risk

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

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

Spartan attempts to minimize finding risk by ensuring that:

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

Investment Risk Profile

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

Production

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

Reserve Estimates

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

Financial and Liquidity Risks

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

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

Issuance of Debt

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

Environmental and Safety Risks

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

Inflation Risks

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

Competitive Industry Conditions

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

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

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

Supply of Service and Production Equipment

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

As at December 31, 2016 Spartan was committed to future minimum payments as follows:

	2017	2018	2019	2020	2021	Thereafter	Total
Operating lease – office ⁽¹⁾	1,752	292	-	-	-	-	\$ 2,044
Pipeline transportation ^(2,3)	1,310	1,453	1,572	1,310	-	-	\$ 5,645
Gas processing ^(2,4)	5,961	5,961	5,961	5,961	5,042	8,545	\$ 37,431
	9,023	7,706	7,533	7,271	5,042	8,545	\$ 45,120

(1) Includes operating costs.

(2) Includes new commitments assumed as part of the acquisition of Wyatt Oil and Gas Inc. (see note 3b of the Consolidated Financial Statements).

(3) Represents a pipeline transportation tariff on minimum oil volumes delivered from the Alameda field to the main Southeast Saskatchewan trunk-line. The transportation tariff is deducted from the Company's realized oil price when sold and included in oil and gas sales. Costs related to under-delivered volumes are included in operating and transportation costs.

(4) Represents the capital component of the gas processing fee on minimum gas volumes to be delivered to a gas processing facility constructed at the Alameda oil battery. The facility was commissioned for operation in August 2016. Sales from natural gas, NGLs and NGLs that can be blended with produced oil and sold as oil, are recognized in revenue. The contract is considered a Finance Lease under IAS 17 and is recognized as a liability on the Consolidated Statements of Financial Position (see note 7 of the Consolidated Financial Statements).

OUTLOOK

Since our inception in 2013, Spartan has strived to build a high quality, light oil focused asset base characterized by low risk, sustainable growth. The commodity price challenges experienced by the energy industry in 2016 created unique acquisition opportunities, and Spartan was able to capitalize on these opportunities to significantly enhance our asset portfolio. We transformed the Company into an intermediate producer in 2016, adding almost 11,000 boe/d of production, while also significantly adding to our inventory of economic drilling locations, improving the quality of our reserve base, lowering our corporate decline from 30% to 24% and maintaining the strength of our balance sheet. Our business model has never been stronger. The asset base we have assembled is highlighted by a moderate decline profile and a multi-year inventory of high quality drilling locations, and our organic drilling results have exceeded expectations. As a result, Spartan is well positioned to drive long-term value for shareholders through production and reserves growth combined with significant free cash flow generation at current commodity price levels.

Spartan is on track to meet or exceed our 2017 annual average production guidance of 21,080 boe/d, representing 11% annual per share growth. Based on a 2017 average WTI price of US\$50, we anticipate free cash flow (in excess of forecast drilling and maintenance capital) of approximately \$42 million in 2017. We are budgeting to allocate up to \$15 million of our excess cash flow to discretionary investments such as the initiation and expansion of water-flood projects and the acquisition of additional land and seismic data. The remainder of our free cash flow will be used to further strengthen our balance sheet and drive additional growth by pursuing acquisition opportunities in our core operating areas.