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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 14, 2018 and is management's assessment of the Company's financial and operating results for the quarter and year ended December 31, 2017. This MD&A should be read in conjunction with the Consolidated Financial Statements, and related notes thereto, of the Company for the year ended December 31, 2017. All financial measures are expressed in Canadian dollars unless otherwise indicated. The results for the three months and year ended December 31, 2017 are not necessarily indicative of the results to be expected for any future period. 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, 2017 Consolidated Financial Statements. The MD&A should also be read in conjunction with Spartan's disclosures under "Non-IFRS Measures" and "Forward-Looking Information and Statements" below.

This MD&A compares the results of the three months ended December 31, 2017 ("Q4 2017") to the three months ended December 31, 2016 ("Q4 2016") as well as the year ended December 31, 2017 to the year ended December 31, 2016. The terms "fourth quarter of 2017" and "same period of 2016" or similar terms are used throughout this document and refer to the three month periods ended December 31, 2017 and 2016, respectively. 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).

DESCRIPTION OF BUSINESS

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 common shares of the Corporation are listed on the Toronto Stock Exchange under the symbol "SPE".

FOURTH QUARTER 2017 HIGHLIGHTS

- Achieved record average production of 22,635 boe/d (91% oil and liquids), representing a 44% increase (7% per basic share) over the fourth quarter of 2016.
- Generated adjusted funds flow from operations of $64.5 million ($0.37 per basic share and $0.35 per diluted share), representing an increase of 96% (48% per basic share) over the fourth quarter of 2016 and an increase of 57% over the third quarter of 2017 (61% per basic share).
- Generated excess adjusted funds flow from operations of $28.7 million, as the Company spent $35.8 million in total development capital expenditures in the fourth quarter of 2017.
- Drilled 36 (32.5 net) development wells and brought 46 (39.0 net) wells on production in the fourth quarter of 2017.
- Reduced operating and transportation expenses to $16.02 per boe, a decrease of 11% from the fourth quarter of 2016 and a decrease of 7% from the third quarter of 2017.
- Reduced net general and administrative ("G&A") expenses to $0.80 per boe, a 35% decrease from the fourth quarter of 2016.
- Completed the acquisition of certain oil and gas assets in southeast Saskatchewan for total consideration, net of closing adjustments, of $22.7 million. The acquisition added approximately 250 boe/d of low decline production and 45 net open-hole drilling locations in the Company's core Winmore area .

- Maintained balance sheet strength, with net debt excluding finance lease obligations at the end of the quarter of $199.2 million, representing 0.8x annualized fourth quarter adjusted funds flow from operations, and available liquidity of $150.8 million.

2017 ANNUAL HIGHLIGHTS

- Achieved average production of 22,200 boe/d (92% oil and liquids), representing an 89% increase (17% per basic share) over 2016.
- Generated adjusted funds flow from operations of $200.7 million ($1.14 per basic share and $1.09 per diluted share), representing an increase of 162% (61% per basic share) over 2016.
- Delivered excess adjusted funds flow from operations of approximately $60.2 million, as the Company spent $140.5 million in total development capital expenditures for the year ended December 31, 2017.
- Reduced net general and administrative ("G&A") expenses to $1.01 per boe, a 40% decrease from 2016.
- Drilled 141 (117.0 net) development wells and brought 139 (115.5 net) wells on production in 2017.

RESULTS OF OPERATIONS

Production

Spartan achieved average total production of 22,635 boe/d in the fourth quarter of 2017 compared to 15,750 boe/d in the fourth quarter of 2016, a 44 percent increase. Average production for the year ended December 31, 2017 of 22,200 boe/d was 89 percent higher than average production for the year ended December 31, 2016 of 11,748 boe/d. The increase is attributable to the five acquisitions completed throughout 2016, which added approximately 10,930 boe/d of production as at the closing dates of each acquisition, as well as the Company's successful development capital program, offset by natural declines. During the year ended December 31, 2017, the Company brought 139 (115.5 net) wells on production. Average production for the three months ended December 31, 2017 of 22,635 boe/d was consistent with production for the three months ended September 30, 2017 of 22,630 boe/d.

	For the three months ended December 31,			**For the year ended December 31,**		
	2017	2016	% change	**2017**	2016	% change
Crude Oil (bbls/d)	**19,620**	13,571	45	**19,528**	10,270	90
Natural Gas (mcf/d)	**12,890**	8,922	44	**11,317**	5,738	97
Liquids (bbls/d)	**867**	692	25	**786**	522	51
Total (boe/d)	**22,635**	15,750	44	**22,200**	11,748	89

Oil and Gas Sales

Oil and gas sales in the fourth quarter of 2017 increased 63 percent, to $120.6 million, from $73.9 million in the fourth quarter of 2016. The increase was due to a 44 percent increase in average production and a 14 percent increase in the Company's realized oil and gas sales price. The Company's realized oil and gas sales price was $57.91/boe in the fourth quarter of 2017 compared to $51.02/boe in the fourth quarter of 2016.

For the year ended December 31, 2017, oil and gas sales increased by 127 percent, to $428.0 million, from $188.7 million for the year ended December 31, 2016. The increase was due to an 89 percent increase in average production and a 20 percent increase in the Company's realized oil and gas sales price. The Company's realized oil and gas sales price was $52.82/boe for the year ended December 31, 2017 compared to $43.88/boe 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 development capital program and acquisitions. Commodity prices are affected by both domestic and international factors that are beyond the control of the Company.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands, except per boe amounts)	**2017**	2016	% change	**2017**	2016	% change
Oil and gas sales by product:						
Light crude oil	**114,903**	70,034	64	**408,590**	181,031	126
Natural gas	**2,999**	2,481	21	**11,015**	4,700	134
Natural gas liquids	**2,686**	1,406	91	**8,405**	2,935	186
Total oil and gas sales	**120,588**	73,921	63	**428,010**	188,666	127

Benchmark and Realized Pricing

All of Spartan's crude oil was sold into the spot market during the three months and year ended December 31, 2017. Spartan's realized price for its light crude oil sales was $63.66/bbl in the fourth quarter of 2017 compared to $56.09/bbl in the fourth quarter of 2016. For the year ended December 31, 2017, the Company's realized light crude oil sales price was $57.32/bbl compared to $48.16/bbl for the same period in 2016.

Spartan realized a sales price of $33.67/bbl on its natural gas liquid ("NGL") sales in the fourth quarter of 2017 compared to $22.10/bbl in the fourth quarter of 2016. For the year ended December 31, 2017, the Company realized a NGL sales price of $29.30/bbl compared to $15.38/bbl for the same period in 2016.

The Company realized a natural gas sales price of $2.53/mcf in the fourth quarter of 2017 compared to $3.02/mcf in the fourth quarter of 2016 and realized a natural gas sales price of $2.67/mcf for the year ended December 31, 2017 compared to $2.24/mcf for the same period of 2016.

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 light 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 are determined by the quality of the crude compared to a benchmark price for light oils. The increase in Spartan's realized price for light crude oil for the three months and year ended December 31, 2017, compared to the same periods in the prior year, is consistent with the increases in the Canadian LSB benchmark at Cromer, Manitoba over the periods.

	For the three months ended December 31,			For the year ended December 31,		
	2017	2016	% change	**2017**	2016	% change
Average Benchmark Prices						
Crude oil – WTI (US$ per bbl)	**55.40**	49.29	12	**50.95**	43.32	18
Crude oil – WTI (CDN$ per bbl)	**70.41**	65.52	7	**66.10**	57.18	16
Crude oil – Cromer LSB (35 API) ($ per bbl)	**68.70**	60.22	14	**62.06**	51.35	21
Natural gas – AECO-C Spot ($ per MMbtu)	**1.72**	3.11	(45)	**2.20**	2.18	1
Exchange rate – (US/CAD)	**0.79**	0.75	5	**0.77**	0.76	1
Spartan's Average Realized Prices (1)						
Light crude oil ($ per bbl)	**63.66**	56.09	13	**57.32**	48.16	19
Natural gas liquids ($ per bbl)	**33.67**	22.10	52	**29.30**	15.38	91
Natural gas ($ per mcf)	**2.53**	3.02	(16)	**2.67**	2.24	19
BOE ($ per boe)	**57.91**	51.02	14	**52.82**	43.88	20

(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. On Crown lands in Saskatchewan, the first 37,760 barrels of production from horizontal oil wells drilled after October 1, 2002 at a vertical depth of less than 1,700 meters are incentivized through a royalty of 2.5 percent. This royalty incentive volume is increased to approximately 100,685 barrels of production for horizontal oil wells drilled at vertical depths exceeding 1,700 meters. 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.

Royalties increased by 67 percent for the three months ended December 31, 2017, compared to the same period in 2016, consistent with the increase in oil and gas sales. Royalties were $18.6 million in the fourth quarter of 2017 compared to $11.1 million in the fourth quarter of 2016. The Company’s average royalty rate of 15 percent was unchanged from Q4 2016 to Q4 2017.

For the year ended December 31, 2017, royalties were $68.8 million, or 16 percent of sales, compared to $28.3 million, or 15 percent of sales, for the same period in 2016. The increase in royalties is consistent with the increase in oil and gas sales from 2016 to 2017. The increase in royalties as a percentage of oil and gas sales for the year ended December 31, 2017 is a result of the Company increasing the percentage of wells drilled on lands with freehold mineral ownership in the second and third quarters of 2017. The Company’s average royalty rate was reduced to 15 percent in the fourth quarter of 2017 as the Company’s fourth quarter drilling program was more heavily weighted to wells drilled on Crown lands. Wells drilled on lands where freehold mineral ownership exists do not qualify for the 2.5 percent royalty incentive that is available to producers for wells drilled on Crown lands in Saskatchewan.

	For the three months ended December 31,			**For the year ended December 31,**		
($ thousands, except per boe amounts)	**2017**	2016	% change	**2017**	2016	% change
Royalties	**18,621**	11,124	67	**68,755**	28,329	143
$ per boe	**8.94**	7.68	16	**8.49**	6.59	29
% of oil and gas sales	**15**	15	-	**16**	15	7

Operating & Transportation

Operating and transportation costs totaled $33.4 million, or $16.02/boe, in the fourth quarter of 2017 compared to $26.0 million, or $17.96/boe, in the fourth quarter of 2016. For the year ended December 31, 2017, operating and transportation costs totaled $140.3 million, or $17.32/boe, compared to $72.3 million, or $16.81/boe, for the same period in the prior year.

The increase in operating and transportation costs on a total dollar basis is consistent with the increases in production and oil and gas sales, and is a result of the Company’s growth from 2016 to 2017. Spartan completed five acquisitions in 2016 which added an aggregate of approximately 10,930 boe/d of production on the acquisition closing dates.

Operating and transportation costs decreased on a unit of production basis to $16.02/boe in the fourth quarter of 2017 compared to $17.96/boe in the fourth quarter of 2016 due to the increase in production volumes and due to certain cost reduction initiatives. Operating and transportation costs, on a per unit basis, decreased by 7 percent from $17.28/boe in the third quarter of 2017 to $16.02/boe in the fourth quarter of 2017 due to a reduction in maintenance activity as well as a reduction in power costs. The Company incurred fewer expenditures in respect of workovers and well servicing, facility turnarounds and general repairs and maintenance in the fourth quarter of 2017 compared to prior quarters in 2017.

Operating and transportation costs increased on a per unit basis for the year ended December 31, 2017, compared to the same period in the prior year, due to additional expenses incurred on the assets acquired by the Company in 2016. Certain wells acquired by Spartan in the summer of 2016 produced at higher total fluid levels in 2017 resulting in increased water handling charges and increased power costs. The Company also incurred additional facility turnaround costs on the acquired assets during 2017 which contributed to increases in operating and transportation costs.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands, except per boe amounts)	**2017**	2016	% change	**2017**	2016	% change
Operating and transportation costs	**33,368**	26,017	28	**140,332**	72,291	94
Operating and transportation costs per boe ($)	**16.02**	17.96	(11)	**17.32**	16.81	3

General and Administrative Expenses

General and administrative expenses (G&A), net of capitalized amounts, were $1.7 million, or $0.80/boe, in the fourth quarter of 2017 compared to $1.8 million, or $1.23/boe, in the fourth quarter of 2016. For the year ended December 31, 2017, G&A, net of capitalized amounts, was $8.2 million, or $1.01/boe, compared to $7.2 million, or $1.69/boe, for the year ended December 31, 2016.

G&A expenses, prior to the effects of capitalized amounts, were $2.6 million, or $1.23/boe, in the fourth quarter of 2017 compared to $2.5 million, or $1.75/boe, in the fourth quarter of 2016. G&A expenses, prior to the effects of capitalized amounts, were $11.7 million, or $1.45/boe, for the year ended December 31, 2017 compared to the same period of 2016 where G&A expenses were $9.9 million, or $2.31/boe.

Gross G&A expenses in the fourth quarter of 2017 were consistent with gross G&A expenses in the fourth quarter of 2016 due to higher capital spending in Q4 2017, compared to Q4 2016, which resulted in higher G&A overhead recoveries in the fourth quarter of 2017. The increase in overhead recoveries offset higher corporate overhead costs in the fourth quarter of 2017 compared to the fourth quarter of 2016. G&A expenses increased on a total dollar basis for the year ended December 31, 2017, compared to the same period in the prior year, due to an increase in corporate overhead costs which were necessary to support the Company's growth. Spartan completed five acquisitions in 2016 growing annual average production by 89 percent from 2016 to 2017.

G&A expenses decreased on a unit of production basis for both the three months and year ended December 31, 2017, compared to the same periods in the prior year, due to an increase in production volumes.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands, except per boe amounts)	**2017**	2016	% change	**2017**	2016	% change
Gross general and administrative expenses	**2,560**	2,538	1	**11,715**	9,918	18
Less - capitalized	**(887)**	(755)	17	**(3,524)**	(2,670)	32
Net general and administrative expenses	**1,673**	1,783	(6)	**8,191**	7,248	13
Net general and administrative expenses ($/boe)	**0.80**	1.23	(35)	**1.01**	1.69	(40)
Gross general and administrative expenses ($/boe)	**1.23**	1.75	(30)	**1.45**	2.31	(37)

Interest Expense

Interest expense, net of interest income, for the three month period ended December 31, 2017 was $2.4 million compared to $1.9 million for the same period of 2016. Interest expense, net of interest income, for the year ended December 31, 2017 was $10.0 million compared to $3.8 million for the same period of 2016.

Spartan financed approximately $170 million of the $693 million total purchase price for the ARC Acquisition in December of 2016 with bank debt. The increased bank debt balance outstanding during 2017 contributed to an increase in the Company's interest expense for the three months and year ended December 31, 2017 compared to the same periods in the prior year.

In addition, 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 2017, $0.4 million was recognized as interest expense accrued on the outstanding principal (Q4 2016 - $0.5 million). For the year ended December 31, 2017, $1.6 million was recognized as interest expense related to the finance lease obligation (2016 - $0.6 million).

	For the three months ended December 31,			**For the year ended December 31,**		
($ thousands, except per boe amounts)	**2017**	2016	% change	**2017**	2016	% change
Interest expense	**2,427**	1,879	29	**10,002**	3,827	161
Interest expense ($ per boe)	**1.17**	1.30	(10)	**1.23**	0.89	38

Accretion on Decommissioning Liabilities

During the three months and year ended December 31, 2017, the Company recognized accretion on decommissioning liabilities of $1.6 million and $5.5 million, respectively, compared to $0.9 million and $2.8 million in the same periods of 2016, respectively. The increases are primarily due to the increase in decommissioning liabilities associated with the five acquisitions completed by the Company in 2016.

	For the three months ended December 31,			**For the year ended December 31,**		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Accretion on decommissioning liabilities	**1,568**	854	84	**5,535**	2,830	96

Stock-Based Compensation

During the three months and year ended December 31, 2017, the Company recognized stock-based compensation expense of $0.6 million and $4.1 million, respectively, for costs related to the Company's Stock Option and Restricted Share Unit plans. In the same periods of 2016, the Company recognized stock based compensation expense of $0.8 million and $4.3 million, respectively.

Stock options and restricted share units ("RSUs") are measured at fair value on the date of grant. The resulting stock-based compensation expense is recognized on a graded vesting basis over the vesting period.

	For the three months ended December 31,			**For the year ended December 31,**		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Stock-based compensation	**577**	825	(30)	**4,106**	4,253	(3)

Depletion and Depreciation

Depletion and depreciation expense was $46.7 million, or $22.43/boe, in the fourth quarter of 2017 compared to $32.9 million, or $22.73/boe, in the fourth quarter of 2016. For the year ended December 31, 2017, depletion and depreciation expense was $184.0 million, or $22.70/boe, compared to $103.3 million, or $24.02/boe, for the year ended December 31, 2016.

The increase in depletion and depreciation expense for the three months and year ended December 31, 2017, 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 and an increase in the Company's capital expenditures in 2017 compared to 2016.

The decrease in depletion and depreciation expense per boe for the three months and year ended December 31, 2017 is primarily attributable to increased production volumes. Depletion and depreciation expense per boe will fluctuate depending on reserve additions, the amount and nature of capital expenditures incurred and average production volumes. Depletion rates are calculated on proved plus probable oil, gas and NGL reserves and take into account the forecasted future development costs required to produce those reserves.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands, except per boe amounts)	**2017**	2016	% change	**2017**	2016	% change
Total depletion and depreciation	**46,707**	32,933	42	**183,970**	103,266	78
Depletion and depreciation ($/boe)	**22.43**	22.73	(1)	**22.70**	24.02	(5)

Impairment

In accordance with IAS 36, the Company assessed, for each CGU, whether there were any indicators of impairment or reversals of prior period impairments as at December 31, 2017. As a result of the decrease in forward benchmark commodity prices in the fourth quarter of 2017, the Company tested its three CGUs, Alberta, West Central Saskatchewan and Southeast Saskatchewan, for impairment.

The recoverable amount of each CGU was estimated as the fair value less costs of disposal based on the estimated net present value of the after tax cash flows from oil and gas proved plus probable reserves discounted at rates ranging from 9.5% to 11%. In determining the appropriate discount rate the Company considered the acquisition metrics of recent transactions completed on assets similar to those in the specific CGU.

It was determined that the net book value of the Company's West Central Saskatchewan CGU exceeded its recoverable amount. As a result, the Company recognized an impairment charge of $29.3 million for the year ended December 31, 2017. At a future date, if there is an indicator that a previously recognized impairment charge may no longer exist, the recoverable amount of the CGU will be reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, if no impairment loss had been recognized.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Impairment	**29,300**	-	n/a	**29,300**	-	n/a

There were no indicators of impairment or reversal of prior period impairments to the Company's properties and equipment as at December 31, 2016.

Exploration and Evaluation ("E&E") Expense

In the fourth quarter of 2017, the Company recognized an expense of $1.0 million for costs associated with undeveloped land expiries compared to $0.1 million in the fourth quarter of 2016. For the year ended December 31, 2017, the Company recognized an expense of $11.2 million for costs associated with undeveloped land expiries compared to $4.6 million for the year ended December 31, 2016.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Exploration and evaluation expense	**1,018**	123	728	**11,160**	4,600	143

Income Taxes

For the three months ended December 31, 2017, the Company recorded a deferred income tax recovery of $6.5 million, compared to a $0.2 million deferred income tax recovery for the same period in the prior year. For the year ended December 31, 2017, the Company recorded a deferred income tax recovery of $7.7 million, compared to a $9.1 million deferred income tax recovery for the same period in the prior year.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Deferred income tax recovery	**(6,494)**	(245)	2551	**(7,718)**	(9,142)	(16)

As at December 31, 2017, the Company had approximately $1.8 billion in tax pools and losses available to reduce future taxable income (December 31, 2016- $1.8 billion).

($ thousands of dollars)	**December 31, 2017**
Canadian Oil and Gas Property Expense (“COGPE”)	878,277
Canadian Development Expense (“CDE”)	215,158
Canadian Exploration Expense (“CEE”)	35,993
Undepreciated Capital Cost (“UCC”)	242,375
Cumulative Eligible Capital (“CEC”)	557
Scientific Research and Experimental Development (“SR&ED”)	4,027
Share issue costs	22,280
Tax losses	376,405
Total	**1,775,072**

Adjusted Funds Flow from Operations and Net Loss

Adjusted funds flow from operations increased by 96 percent to $64.5 million in the fourth quarter of 2017 compared to $33.0 million in the fourth quarter of 2016. Basic and diluted adjusted funds flow from operations per share were $0.37 and $0.35 respectively in the fourth quarter of 2017 compared to $0.25 per basic share and $0.24 per diluted share during the same period of 2016. For the year ended December 31, 2017, adjusted funds flow from operations increased by 162 percent to $200.7 million compared to $76.7 million during the same period of 2016. Basic and diluted adjusted funds flow from operations per share for the year ended December 31, 2017 were $1.14 and $1.09 respectively compared to $0.71 per basic share and $0.66 per diluted share during the same period of 2016.

The increase in adjusted funds flow from operations for both the three months and year ended December 31, 2017, compared to the same periods in the prior year, is primarily a result of the increase in oil and gas sales driven by both an increase in average production volumes and an increase in the Company’s average realized oil and gas sales price. Spartan increased its average production volumes by 44 percent for the three months ended December 31, 2017 and 89 percent for the year ended December 31, 2017, compared to the same periods in 2016. Canadian LSB at Cromer, Manitoba, the benchmark oil price that most directly influences the Company’s realized light crude oil sales price, increased by 21 percent from 2016 to 2017 and 14 percent from the fourth quarter of 2016 to the fourth quarter of 2017. The increases in the average production volumes and the Company’s realized oil and gas sales price resulted in a 63 percent increase in oil and gas sales for the three months ended December 31, 2017 and a 127 percent increase in oil and gas sales for the year ended December 31, 2017, compared to the same periods in 2016.

The Company realized a net loss of $8.3 million in the fourth quarter of 2017 compared to a net loss of $3.2 million for the same period of 2016. Basic and diluted net loss per share for the quarter were $0.05 compared to basic and diluted net loss per share of $0.02 during the same period of 2016. The Company realized a net loss of $26.1 million, or $0.15 per basic and diluted share, for the year ended December 31, 2017 compared to a net loss of $18.6 million, or $0.17 per basic and diluted share, in the same period of 2016. While the Company generated higher adjusted funds flow from operations for the three months and year ended December 31, 2017, compared to the same periods in the prior year, increases in non-cash expenses including exploration and evaluation expense, depletion and depreciation and impairment expense contributed to the higher net loss realized for the three months and year ended December 31, 2017, compared to the same periods in 2016.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Adjusted funds flow from operations[1]	**64,499**	32,958	96	**200,730**	76,749	162
Per basic share[1][2]	**0.37**	0.25	48	**1.14**	0.71	61
Per diluted share[1][2]	**0.35**	0.24	46	**1.09**	0.66	65
Net loss	**(8,252)**	(3,175)	160	**(26,071)**	(18,613)	40
Per basic and diluted share[2]	**(0.05)**	(0.02)	150	**(0.15)**	(0.17)	(12)

(1) *Adjusted funds flow from operations and adjusted funds flow from operations per basic and diluted share are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.*

(2) *Numbers have been restated to reflect the share consolidation that occurred on June 20, 2017.*

The following tables summarize the netbacks on a total dollar basis and unit of production basis for the three months and years ended December 31, 2017 and December 31, 2016.

	For the three months ended December 31,			For the year ended December 31,		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Oil and gas sales	**120,588**	73,921	63	**428,010**	188,666	127
Realized loss on derivative contracts	**-**	(160)	(100)	**-**	(222)	(100)
Net realized oil and gas sales	**120,588**	73,761	63	**428,010**	188,444	127
Royalties	**(18,621)**	(11,124)	67	**(68,755)**	(28,329)	143
Operating and transportation costs	**(33,368)**	(26,017)	28	**(140,332)**	(72,291)	94
Operating netback[1]	**68,599**	36,620	87	**218,923**	87,824	149
General and administrative expenses	**(1,673)**	(1,783)	(6)	**(8,191)**	(7,248)	13
Interest expense	**(2,427)**	(1,879)	29	**(10,002)**	(3,827)	161
Adjusted funds flow from operations[1]	**64,499**	32,958	96	**200,730**	76,749	162

(1) *Operating netback and adjusted funds flow from operations are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.*

	For the three months ended December 31,			For the year ended December 31,		
($ per boe)	**2017**	2016	% change	**2017**	2016	% change
Oil and gas sales price	**57.91**	51.02	14	**52.82**	43.88	20
Realized loss on derivative contracts	**-**	(0.11)	(100)	**-**	(0.05)	(100)
Net realized oil and gas sales price	**57.91**	50.91	14	**52.82**	43.83	21
Royalties	**(8.94)**	(7.68)	16	**(8.49)**	(6.59)	29
Operating and transportation costs	**(16.02)**	(17.96)	(11)	**(17.32)**	(16.81)	3
Operating netback[1]	**32.95**	25.27	30	**27.01**	20.43	32
General and administrative expenses	**(0.80)**	(1.23)	(35)	**(1.01)**	(1.69)	(40)
Interest expense	**(1.17)**	(1.30)	(10)	**(1.23)**	(0.89)	38
Corporate netback[1]	**30.98**	22.74	36	**24.77**	17.85	39

(1) *Operating netback and corporate netback are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.*

Selected Annual Information

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

Annual Summaries ($ thousands, except per boe and per share amounts)	**2017**	2016	2015
Production (boe/d)	**22,200**	11,748	8,866
Average realized sales price ($/boe) – excluding derivatives	**52.82**	43.88	47.80
Oil and gas sales	**428,010**	188,666	154,686
Net loss	**(26,071)**	(18,613)	(77,778)
Loss per share - basic(2)	**(0.15)**	(0.17)	(0.88)
Loss per share – diluted(2)	**(0.15)**	(0.17)	(0.88)
Adjusted funds flow from operations(1)	**200,730**	76,749	66,288
Adjusted funds flow from operations per share - basic(1) (2)	**1.14**	0.71	0.75
Adjusted funds flow from operations per share - diluted(1) (2)	**1.09**	0.66	0.69
Total assets	**1,894,499**	1,860,423	825,596
Total development capital expenditures(1)	**140,530**	61,830	65,070
Total capital expenditures	**180,272**	854,709	68,270
Net debt(1)	**226,034**	245,685	86,328
Net debt excluding finance lease obligations(1)	**199,204**	214,561	86,328

(1) Adjusted funds flow from operations, adjusted funds flow from operations per basic and diluted share, total development capital expenditures, net debt and net debt excluding finance lease obligations are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.

(2) Numbers have been restated to reflect the share consolidation that occurred on June 20, 2017.

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, 2017**	September 30, 2017	June 30, 2017	March 31, 2017
Production (boe/d)	**22,635**	22,630	22,061	21,455
Average realized price ($/boe) – excluding derivatives	**57.91**	46.98	52.65	53.82
Oil and gas sales	**120,588**	97,807	105,691	103,924
Net income (loss)	**(8,252)**	(8,234)	(9,829)	244
Earnings (loss) per share - basic(2)	**(0.05)**	(0.05)	(0.06)	0.00
Earnings (loss) per share – diluted(2)	**(0.05)**	(0.05)	(0.06)	0.00
Adjusted funds flow from operations(1)	**64,499**	41,066	46,142	49,023
Adjusted funds flow from operations per share - basic(1) (2)	**0.37**	0.23	0.26	0.28
Adjusted funds flow from operations per share - diluted(1) (2)	**0.35**	0.22	0.25	0.27
Total development capital expenditures(1)	**35,821**	35,111	27,263	42,335
Total capital expenditures	**55,742**	40,904	33,735	49,892

Quarterly Summaries ($thousands of dollars, except per boe amounts)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Production (boe/d)	15,750	12,429	9,080	9,683
Average realized sales price ($/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 (loss) per share - basic(2)	(0.02)	0.04	(0.07)	(0.14)
Earnings (loss) per share – diluted(2)	(0.02)	0.03	(0.07)	(0.14)
Adjusted funds flow from operations(1)	32,958	18,922	16,265	8,605
Adjusted funds flow from operations per share - basic(1) (2)	0.25	0.17	0.16	0.09
Adjusted funds flow from operations per share - diluted(1) (2)	0.24	0.16	0.15	0.09
Total development capital expenditures(1)	19,190	19,867	6,108	16,665
Total capital expenditures	722,020	44,250	71,322	17,117

(1) Adjusted funds flow from operations, adjusted funds flow from operations per basic and diluted share and total development capital expenditures are non-IFRS measures which are defined under the Non-IFRS Measures section of this MD&A.
(2) Numbers have been restated to reflect the share consolidation that occurred on June 20, 2017.

Spartan's corporate strategy remains unchanged despite continued volatility in commodity prices. Spartan is committed to delivering 10 percent annual production per share growth within adjusted funds flow from operations. Excess adjusted funds flow from operations, defined as adjusted funds flow from operations less total development capital expenditures, can be invested in discretionary capital additions such as land, seismic, waterflood projects and tuck-in acquisitions. Additionally, depending on market conditions, the Company may use excess adjusted funds flow from operations to pursue accretive common share buybacks under the normal course issuer bid. The Company's strategy allows the Company to preserve balance sheet strength in periods of prolonged commodity price weakness.

In 2016, Spartan was able to capitalize on market conditions as the Company enhanced its asset base through accretive acquisitions. The Company completed five acquisitions and in doing so increased production by approximately 10,930 boe/d, while also increasing its inventory of economic drilling locations, improving the quality of the Company's reserves and lowering the corporate production decline rate. Despite continued weakness in commodity prices in 2016, the Company increased adjusted funds flow from operations by 16 percent from 2015 to 2016 primarily due to a 33 percent increase in average production volumes.

In 2017 the Company's focus was on integrating the acquisitions completed in 2016 while delivering top tier growth through an organic drilling program and reinvesting excess adjusted funds flow from operations to enhance shareholder value. The Company spent $140.5 million in total development capital expenditures (total capital expenditures less land, seismic, waterflood capital and acquisitions), and $180.3 million in total capital expenditures to grow average production volumes by 17 percent per basic share from 2016 to 2017. Average production volumes increased by 89 percent from 2016 to 2017. This production volume growth, combined with a 20 percent increase in the Company's realized oil and gas sales price, resulted in a 162 percent increase in the Company's annual adjusted funds flow from operations to $200.7 million in 2017 from $76.7million in 2016.

Total development capital expenditures of $140.5 million in 2017 represented only 70 percent of annual adjusted funds flow from operations. The $60.2 million in excess adjusted funds flow from operations was generated in a weaker commodity price environment where the benchmark price for WTI averaged US$ 50.95/bbl. Spartan successfully invested a portion of this excess adjusted funds flow from operations in projects focused on long term value creation. The Company completed four strategic tuck-in acquisitions for total consideration of approximately $34.7 million, consisting of $27.4 million in cash and the issuance of 1.1 million common shares. Through these acquisitions the Company brought its interest in the Oungre Ratcliffe unit to 100%, allowing for control and accelerated development of the Company's waterflood project in the unit. In addition, Spartan added 45 net drilling locations in its core Winmore area. Spartan also commenced activity on waterflood projects in the second half of 2017, spending approximately $3.2 million in waterflood capital.

The remaining excess adjusted funds flow from operations generated in 2017 was applied to reduce year-end net debt excluding finance lease obligations to approximately $199.2 million from $214.6 million at December 31, 2016. At December 31, 2017 Spartan had available liquidity of $150.8 million on the Company's $350 million credit facility.

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 years ended December 31, 2017 and 2016:

	For the three months ended December 31,			**For the year ended December 31,**		
($ thousands)	**2017**	2016	% change	**2017**	2016	% change
Drilling and completions	**27,657**	14,933	85	**102,507**	43,194	137
Equipment, facilities and CO_2 EOR capital	**7,277**	3,502	108	**34,499**	15,966	116
Other	**887**	755	18	**3,524**	2,670	32
Total development capital expenditures[1]	**35,821**	19,190	87	**140,530**	61,830	127
Land and seismic	**3,389**	11,807	(71)	**9,170**	13,933	(34)
Waterflood capital	**1,113**	-	n/a	**3,187**	-	n/a
Total discretionary capital expenditures	**4,502**	11,807	(62)	**12,357**	13,933	(11)
Acquisitions	**15,419**	691,023	(98)	**27,385**	778,946	(96)
Total capital expenditures	**55,742**	722,020	(92)	**180,272**	854,709	(79)

(1) Total development capital expenditures is a non-IFRS measure which is defined under the Non-IFRS Measures section of this MD&A.

For the fourth quarter of 2017, total development capital expenditures were $35.8 million, compared to $19.2 million in the fourth quarter of 2016. The Company drilled 36 (32.5 net) development wells and brought 46 (39.0 net) wells on production in the fourth quarter of 2017.

For the year ended December 31, 2017, total development capital expenditures were $140.5 million compared to $61.8 million in 2016. The Company drilled 141 (117.0 net) development wells in 2017 and brought 139 (115.5 net) wells on production, including 2.0 net wells drilled in 2016.

As at December 31, 2017, the Company had drilled 4 (3.6 net) wells that were not yet on production. A summary of Spartan's drilling activity in 2017 is provided below.

2017 Drilling Program	**Development Wells Spud**		**Development Wells On Production**		**Exploratory Wells Spud**	
As at December 31, 2017	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Southeast Saskatchewan – Open Hole	73	61.7	75	63.7	2	2.0
Southeast Saskatchewan – Frac Midale	27	22.4	26	21.6	-	-
Southeast Saskatchewan – Frac Torquay	4	2.2	3	1.2	-	-
Southeast Saskatchewan - Ratcliffe (open hole)	16	10.5	16	10.5	-	-
West Central Saskatchewan – Frac Viking	21	20.2	19	18.5	-	-
Total	**141**	**117.0**	**139**	**115.5**	**2**	**2.0**

Land and seismic costs for the three months and year ended December 31, 2017 were $3.4 million and $9.2 million respectively as the Company continued to advance its land position in its core areas. For the year ended December 31, 2017, Spartan incurred $3.2 million in waterflood capital expenditures.

Spartan executed on its capital program in 2017 while spending within adjusted funds flow from operations in a volatile commodity price environment. Capital expenditures are largely discretionary and are dependent on the Company's forecasted adjusted funds flow from operations. The flexibility of the Company's capital plan allows the Company to manage spending levels and preserve balance sheet strength. Spartan spent $140.5 million in total development capital expenditures in 2017 while generating $200.7 million in adjusted funds flow from operations over the twelve month period. Spartan invested $39.7 million of the $60.2 million in excess adjusted funds flow from operations in land, seismic, waterflood projects and tuck-in acquisitions.

Acquisitions

On December 15, 2017, Spartan completed the acquisition of certain oil and gas assets in its core Winmore area of southeast Saskatchewan for total consideration of $22.7 million, net of closing adjustments. Total consideration paid included $15.4 million in cash and 1.1 million common shares of Spartan valued at $6.42 per common share on the closing date. The acquisition added approximately 250 boe/d of low decline production and 45 net open-hole drilling locations.

The Company completed three additional minor asset acquisitions during the year ended December 31, 2017 for total cash consideration of $12.0 million.

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 year-end net debt excluding finance lease obligations to annualized fourth quarter adjusted funds flow from operations ratio was 0.8 times. The Company's year-end net debt excluding finance lease obligations to 2017 adjusted funds flow from operations ratio was 1.0 times.

Share Capital

Common share consolidation

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

	For the three months ended December 31,		**For the year ended December 31,**	
	2017	2016	**2017**	2016
Weighted average outstanding common shares (1)(5)				
Basic	**175,724,546**	130,999,546	**175,562,153**	108,568,446
Diluted	**183,290,780**	139,662,330	**183,450,062**	116,944,515
As at December 31 (5)				
Common shares			**176,615,804**	175,267,641
Warrants(2)			**10,103,753**	10,412,083
Common share options(3)			**3,278,889**	3,694,000
Restricted share units(4)			**1,076,342**	382,294

(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, 2017.

(3) As at December 31, 2017, 2,965,926 of the options to purchase common shares were vested and exercisable.

(4) As at December 31, 2017 there were 102,345 vested and exercisable restricted share units outstanding.

(5) Numbers have been restated on a three for one basis to reflect the share consolidation that occurred on June 20, 2017.

Spartan's total capitalization as at December 31, 2017 is as follows:

($ thousands)	**Amount**
Net debt(1)	226,034
Market capitalization (2)	1,269,868
Total capitalization as at December 31, 2017	**1,495,902**

(1) Includes finance lease obligations of $26.8 million at December 31, 2017. Excluding finance lease obligations, net debt was $199.2 million and total capitalization was $1.5 billion at December 31, 2017.

(2) As at December 29, 2017, the closing market price of Spartan Energy Corp. shares was $7.19 per share.

Normal Course Issuer Bid

On August 24, 2017, Spartan implemented a normal course issuer bid ("NCIB"), through the facilities of the Toronto Stock Exchange, pursuant to which Spartan is allowed to repurchase its common shares for cancellation. The Company may purchase up to 8,780,148 common shares over a period of twelve months commencing on August 24, 2017. All common shares purchased under the NCIB are immediately cancelled. The NCIB will provide an additional option for the reinvestment of excess adjusted funds flow from operations. The Company believes that at times its share price does not reflect the underlying value of its assets. The NCIB was implemented to provide an additional alternative for the Company to increase long-term shareholder returns and therefore, depending on market conditions, the Company will strive to continue to increase its per share net asset value through accretive share buybacks under the NCIB. As with all expenditures, Spartan will remain vigilant in ensuring it retains flexibility and liquidity on its balance sheet. For the year ended December 31, 2017, the Company purchased for cancellation 160,000 common shares at an average cost of $6.18 per common share for total consideration of $1.0 million.

Liquidity

Bank Debt

As at December 31, 2017, the Company had available a $350 million (December 31, 2016 - $350 million) credit facility with a syndicate of six Canadian chartered banks. The credit facility consists of a $310 million revolving production facility and a $40 million revolving operating facility. At the end of the revolving period, being May 31, 2018, the revolving credit facility converts into a 365 day term loan if not renewed. All repayments on the revolving credit facility are then due at the term maturity date. Prior to the end of the revolving period, Spartan can request that the credit facility be extended for an additional 364 days, subject to approval from the syndicate of lenders. As the credit facility does not mature within the next year, the liability is considered to be non-current.

The amount of the credit facility is subject to a borrowing base redetermination test performed at least semi-annually, primarily based on reserves, using commodity prices estimated by the lender, as well as other factors. If a borrowing base shortfall is identified during a borrowing base redetermination, the portion drawn above the borrowing base is required to be repaid within 60 days. The credit facility bears interest on a grid system which ranges from bank prime plus 1.0 percent to bank prime plus 2.5 percent depending on the Company's debt to EBITDA ratio ranging from less than or equal to 1:1 to greater than 3.0:1. The Company is not subject to any financial covenants under the credit facility. As at December 31, 2017 and December 31, 2016, the Company was in compliance with all operating covenants outlined in the credit agreement.

The credit facility provides that advances may be made by way of direct prime rate loans, USBR loans, LIBOR loans, bankers' acceptances, letters of credit or letters of guarantee. The facility is secured by a $1.0 billion debenture and a general security agreement over all the petroleum and natural gas assets of the Company. As at December 31, 2017 the Company had $180.7 million drawn on the facility, excluding the letter of guarantee discussed below (December 31, 2016 - $217.9 million).

As at December 31, 2017 the Company had a letter of guarantee outstanding in the amount of $2.8 million against the credit facility (December 31, 2016 - $2.5 million).

The next borrowing base review is scheduled to occur on or before May 31, 2018.

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, 2017, the finance lease obligation of $26.8 million was recorded as a liability on the consolidated statements of financial position. The finance lease bears interest at an implicit rate of 5.64 percent.

As at December 31, 2017, Spartan's net debt was $226.0 million, including finance lease obligations. Excluding the Company's finance lease obligations, Spartan's net debt was $199.2 million with available liquidity of $150.8 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 growth in adjusted funds flow from operations (development activity) and future adjusted funds flow from operations 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 in Alberta, West Central Saskatchewan and Southeast Saskatchewan 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 farm-outs to minimize risk on plays it considers higher risk.

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, 2017, Spartan was committed to future minimum payments as follows:

	2018	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Operating lease – office(1)	1,070	1,334	1,334	1,334	1,334	556	6,962
Pipeline transportation(2,3)	1,453	1,572	1,310	-	-	-	4,335
Gas processing(2,4)	5,944	5,944	5,961	5,026	3,196	5,332	31,403
	8,467	**8,850**	**8,605**	**6,360**	**4,530**	**5,888**	**42,700**

(1) Includes operating costs.

(2) Includes new commitments assumed as part of the acquisition of Wyatt Oil and Gas Inc. in 2016.

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

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

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. If such indicators exist, the estimated recoverable amount is calculated. The recoverable amounts of CGUs are based on the higher of their value-in-use and fair value less costs of disposal. 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. Fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal in the case of a lack of comparable transactions, based upon discounted after tax cash flows. An impairment loss is recognized in the statements of comprehensive income (loss) if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

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.

E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the petroleum products is technically feasible and commercially viable. E&E assets are subject to ongoing technical, commercial and management review to confirm the continued intent to establish the technical feasibility and commercial viability of the area.

When management is making this assessment, changes to project economics, expected capital expenditures and production costs and access to infrastructure are important factors.

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

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 retrospective approach for fiscal years beginning on or after January 1, 2018.

The Company will apply the new standard using the modified retrospective approach. The Company has completed reviewing its various contracts with customers and has concluded that the adoption of IFRS 15 will not have a material impact on the Company's consolidated financial statements. However, the Company will expand the disclosures in the notes to the financial statements as prescribed under IFRS 15. Additional disclosures including, but not limited to, contracts with customers, disaggregation of revenue and contract balances may be required to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers.

IFRS 9 Financial Instruments

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.

The Company has determined there will not be any material changes in the measurement and carrying values of its financial instruments as a result of the adoption of IFRS 9. IFRS 9 also introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required under IAS 39. The Company has determined that the new impairment model will not result in material changes to the valuation of its financial assets on adoption of IFRS 9.

IFRS 16 Leases

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. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The Company 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

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to understand the sensitivities of the environments in which it operates and its responsibilities from the beginning to the end. It also strives to identify the potential environmental impacts of its new projects in the planning stage and during operations. 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.

In October 2016, Saskatchewan released its Climate Change White Paper, which outlined the principles of the province's approach to climate change, including a focus on both mitigation and adaptation responses to climate change. Following the release of the White Paper, the government worked on developing its comprehensive climate change strategy, which was released in December 2017: Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy (the “Strategy”). The Strategy focuses on the principles of readiness and climate resilience, curbing GHG emissions, and preparing for changing conditions such as extreme weather, drought or wildfire. Saskatchewan has decided not to sign on to the Pan-Canadian Framework on Clean Growth and Climate Change or to adopt a carbon pricing mechanism, meaning that it will be out of compliance with federal requirements. Spartan will continue to monitor the Saskatchewan government’s Climate Change Strategy and any potential impacts it may have on the Company and its operations.

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.

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, 2017 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, 2017 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.

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, excess adjusted funds flow from operations, total development capital expenditures, 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. Excess adjusted funds flow from operations is calculated based on adjusted funds flow operations less total development capital expenditures. 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, and excess adjusted funds flow from operations may not be comparable to that reported by other companies.

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

	For the three months ended December 31,			For the year ended December 31,		
($ thousands)	2017	2016	% change	2017	2016	% change
Adjusted funds flow from operations	64,499	32,958	96	200,730	76,749	162
Transaction costs	(75)	(378)	(80)	(448)	(1,109)	(60)
Settlement of decommissioning liabilities	(694)	-	n/a	(822)	-	n/a
Changes in non-cash working capital	(1,614)	7,176	(122)	4,023	(16,452)	(124)
Cash flow from operating activities	62,116	39,756	56	203,483	59,188	244

The following table reconciles adjusted funds flow from operations (a non-IFRS measure) to excess adjusted funds flow from operations (a non-IFRS measure):

	For the three months ended December 31,			For the year ended December 31,		
($ thousands)	2017	2016	% change	2017	2016	% change
Adjusted funds flow from operations	64,499	32,958	96	200,730	76,749	162
Total development capital expenditures	(35,821)	(19,190)	87	(140,530)	(61,830)	127
Excess adjusted funds flow from operations	28,678	13,768	108	60,200	14,919	304

Total development capital expenditures is calculated as total capital expenditures less land and seismic, waterflood capital and acquisitions.

The following table reconciles total development capital expenditures (a non-IFRS measure) to total capital expenditures, which is the most directly comparable measure calculated in accordance with IFRS:

	For the three months ended December 31,			For the year ended December 31,		
($ thousands)	2017	2016	% change	2017	2016	% change
Total development capital expenditures	35,821	19,190	87	140,530	61,830	127
Land and seismic	3,389	11,807	(71)	9,170	13,933	(34)
Waterflood capital	1,113	-	n/a	3,187	-	n/a
Acquisitions	15,419	691,023	(98)	27,385	778,946	(96)
Total capital expenditures	55,742	722,020	(92)	180,272	854,709	(79)

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

($ thousands)	December 31, 2017	December 31, 2016
Net debt	226,034	245,685
Trade and other liabilities	(69,943)	(38,546)
Finance lease obligations	(26,830)	(31,124)
Current assets	51,407	41,906
Bank debt	180,668	217,921

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, 2017	December 31, 2016
Net debt	226,034	245,685
Finance lease obligations	(26,830)	(31,124)
Net debt excluding finance lease obligations	199,204	214,561

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), 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), and corporate netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues, plus/minus realized derivative contracts, less royalties, less operating and transportation costs, less general and administrative expenses and less interest expense), 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, excess adjusted funds flow from operations, net debt, net debt excluding finance lease obligations, total market capitalization and operating and corporate 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.

BOE PRESENTATION

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 INFORMATION AND 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, 2017.

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.