2017

Interim Report
For the Nine Months Ended September 30

www.graniteoil.ca

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
FINANCIAL				
Oil and natural gas revenues	**12,676**	11,582	**40,915**	31,436
Funds from operations (1)	**6,218**	6,061	**19,521**	18,033
Per share – basic	**0.18**	0.18	**0.58**	0.56
Per share – diluted (2)	**0.18**	0.18	**0.57**	0.56
Net income (loss)	**(2,996)**	1,052	**(612)**	(6,216)
Per share – basic	**(0.09)**	0.03	**(0.02)**	(0.19)
Per share – diluted (2)	**(0.09)**	0.03	**(0.02)**	(0.19)
Capital expenditures (3)	**3,531**	6,244	**14,168**	16,297
Net debt (4)	**36,893**	29,323	**36,893**	29,323
Shareholders' equity	**207,266**	218,198	**207,266**	218,198
Dividends paid	**3,588**	3,528	**10,666**	9,917
Dividends declared (per share)	**0.1050**	0.1050	**0.3150**	0.3150
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
SHARE DATA				
At period-end	**34,191**	33,614	**34,191**	33,614
Weighted average – basic	**34,171**	33,598	**33,723**	31,942
Weighted average – diluted	**34,443**	33,922	**34,083**	32,280
OPERATING (5)				
Production				
Natural gas *(mcf/d)* (6)	**499**	145	**558**	145
Crude oil *(bbls/d)*	**2,579**	2,728	**2,749**	2,804
Total *(boe/d)*	**2,662**	2,752	**2,842**	2,828
Average wellhead prices				
Natural gas *($/mcf)*	**2.95**	2.50	**2.81**	1.51
Crude oil and NGLs *($/bbl)*	**52.85**	45.95	**53.95**	40.70
Combined average *($/boe)*	**51.76**	45.68	**52.74**	40.43
Netbacks				
Operating netback *($/boe)* (8)	**29.53**	28.67	**29.21**	27.73
Gross (net) wells drilled				
Oil *(#)*	**2 (2.0)**	3 (3.0)	**8 (8.0)**	7 (7.0)
Total *(#)*	**2 (2.0)**	3 (3.0)	**8 (8.0)**	7 (7.0)
Average working interest *(%)*	**100**	100	**100**	100

(1) Funds from operations and funds from operations per share are not recognized measures under International Financial Reporting Standards (IFRS). Refer to the commentary in the Management's Discussion and Analysis under "Non-GAAP Measurements" for further discussion.
(2) The Company uses the weighted average common shares (basic) when there is a net loss for the period and the weighted average common shares (diluted) when there is net income in the period to calculate net income (loss) per share diluted. The Company uses the weighted average common shares (diluted) to calculate the funds from operations diluted.
(3) Total capital expenditures, excluding acquisitions and excluding non-cash transactions. Refer to commentary in the Management's Discussion and Analysis under "Capital Expenditures and Acquisitions" for further information.
(4) Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary under "Non-GAAP Measurements" for further discussion.
(5) For a description of the boe conversion ratio, refer to the commentary in the Management's Discussion and Analysis under "Other Measurements".
(6) Commencing in March 2016, the Company began injecting the majority of its natural gas production into the Alberta Bakken Property pursuant to the EOR scheme.
(7) Combined average realized prices includes all oil, gas and NGL sales revenue, excluding other income.
(8) Operating netback, which is calculated by deducting royalties, operating expenses and transportation expenses from oil and gas revenue and adjusting for any realized hedging on financial instruments, is not a recognized measure under IFRS. Please refer to the commentary under "Non-GAAP Measurements" for further discussion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for Granite Oil Corp. ("Granite" or "the Company") is dated November 9, 2017 and should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the three and nine months ended September 30, 2017, as well as the Company's audited financial statements and related notes for the years ended December 31, 2016 and 2015. All financial information is reported in Canadian dollars, unless otherwise noted. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual financial statements for the year ended December 31, 2016. Additional information regarding the Company, including the Annual Information Form, is also available on www.sedar.com and on the Company's website www.graniteoil.ca and by contacting the Company at Granite Oil Corp., 3230, 308 - Fourth Avenue S.W., Calgary, Alberta, Canada T2P 0H7.

This MD&A contains non-GAAP measures and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Measures" and "Forward-looking Information and Statements" included at the end of this MD&A.

ABOUT GRANITE OIL CORP.

Granite is a dividend-paying, junior oil producer based in Calgary, Alberta that owns and operates a large, discovered Alberta Bakken oil pool in southern Alberta (the "Alberta Bakken Property" or "Alberta Bakken").

The business plan of the Company is to maximize the recoverable portion of the oil-in-place on the Alberta Bakken Property over the long run through responsible reservoir management while achieving and sustaining low annual production decline, pool-wide through utilization of the natural gas injection enhanced oil recovery ("EOR") scheme operated by the Company on its Alberta Bakken Property. The Company aims to generate free cash flow at current commodity prices, focusing on steady production and affordable growth. The Company executes its business plan by maintaining low capital expenditure operations while continuing to pursue possible strategic acquisitions.

The nature of the Alberta Bakken Property has resulted in a business that emphasizes low technical and financial risks; low annual production decline; moderate capital investment aimed at maintaining overall production plus generating prudent growth appropriate to prevailing commodity prices; and generating sufficient funds flow from operations at current commodity prices to pay a sustainable dividend.

Granite's Alberta Bakken Property has been substantially de-risked. The property includes complete Company-operated infrastructure to produce and market oil and re-inject gas for enhanced oil recovery. Granite benefits from experienced, technically able, and proven leadership. The team has many of the same senior managers who discovered, delineated and developed the Alberta Bakken Property.

The Company underwent a reorganization by way of a Plan of Arrangement (the "POA") on May 15, 2015 which divided the Company into two, focused and independent, publicly traded energy companies, being Granite and Boulder Energy Ltd. The POA was approved by a vote of shareholders of DeeThree Exploration Inc. ("DeeThree") on May 14, 2015 and was completed on May 15, 2015. As a result of the POA, the results post May 15, 2015, reflect the stand-alone Granite property (Alberta Bakken) and prior to May 15, 2015, reflect the results of the historical DeeThree properties (Brazeau Belly River, Alberta Bakken and Northern).

Granite is headquartered in Calgary, Alberta and the common shares of Granite are listed for trading on the Toronto Stock Exchange under the symbol GXO and on the OTCQX under the symbol GXOCF

OUTLOOK

To date, the Company has drilled eight of its ten originally budgeted development wells and is planning to drill a ninth development well on 200 meter spacing late in Q4. The decision to delay the ninth well and defer the tenth development well until 2018 has been made to provide additional time to achieve what management has learned to be optimal reservoir pressure in the EOR scheme. The Company is confident this well will return to Granite's top-tier type curve.

The Company's annual 2017 production is expected to be below targeted volumes, totaling approximately 2750 boe/d, with fourth quarter oil production averaging approximately 2350 bbls/d. The Company's 2017 capital expenditures (net of expected dispositions) is anticipated to be $16.3 million, a 25% reduction from 2016. Granite has met its flow through commitments, having drilled an exploration well in the fourth quarter which the Company intends to abandon.

Management expects to achieve similar capital efficiency improvements in 2018, with a capital program totaling approximately $12 million, representing a 26% drop year over year, with 85% of the budget targeted towards drilling and completions. Having significantly expanded its EOR facilities and infrastructure in 2017, the Company has minimal requirements for facilities, injector conversions and land in 2018. With all 2018 wells planned on 200 m spacing, which has some of the best permeability in the pool, Granite expects new well performance to be comparable to 2016 type curves. At $55 WTI, with oil production of approximately 2600 - 2700 bbl/d the Company expects annual 2018 cash flow of approximately $27 million.

Funds from Operations [1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($000s)				
Cash flow from operating activities	**5,028**	8,819	**15,958**	20,105
Changes in non-cash working capital	**1,190**	(2,758)	**3,563**	(2,072)
Funds from operations	**6,218**	6,061	**19,521**	18,033

[1] Funds from operations and funds from operations per share are not recognized measures under International Financial Reporting Standards (IFRS). Refer to "Non-GAAP Measurements" for further discussion.

During the three months ended September 30, 2017, the Company generated funds from operations totaling $6.2 million ($0.18 per basic and diluted share) compared to $6.1 million ($0.18 per basic and diluted share) in the comparative period of 2016 and $6.7 million ($0.20 per basic and diluted share) in the second quarter of 2017. The increase from the third quarter of 2016 reflects increased revenue primarily as a result of an increase in commodity prices. The decrease from the second quarter of 2017 reflects a decline in revenue primarily as a result of lower commodity prices compounded by higher royalties as a result of a prior period amendment received in the second quarter of 2017 partially offset by a realized gain on financial instruments in the current quarter as compared to a loss in the second quarter of 2017.

Funds from operations totaled $19.5 million ($0.58 per basic share and $0.57 per diluted share) for the nine months ended September 30, 2017 compared to $18.0 million ($0.56 per basic and diluted share). The increase from the nine months ended September 30, 2016, reflects increased revenue primarily as a result of an increase in commodity prices.

Net Income (Loss)

For the three months ended September 30, 2017, the Company recorded a net loss of $3.0 million ($0.09 per basic and diluted share) compared to net income of $1.1 million ($0.03 per basic and diluted share) in the same period of 2016 and net loss of $0.1 million ($0.00 per basic and diluted share) in the second quarter of 2017. The change in the Company's net income (loss) for the quarter as compared to the third quarter of 2016 is primarily due to the recording of $4.2 million in exploration and evaluation expenses related to lease expiries as well as the change in the unrealized value of the Company's crude oil hedge

contracts as at September 30, 2017 as compared to June 30, 2017. In addition, the Company experienced an increase in oil and gas sales revenues as a result of stronger commodity prices partially offset by a higher royalties and a smaller realized gain on financial instruments as compared to the prior period. The net loss in the current quarter as compared to the second quarter of 2017 is primarily due to the unrealized loss on financial instruments in the current quarter as well as an increase in exploration and evaluation expenses.

For the nine months ended September 30, 2017, the Company recorded net loss of $0.6 million ($0.02 per basic and diluted share) as compared to a net loss of $6.2 million ($0.19 per basic and diluted share) for the same period in the prior year. The decrease in net loss for the first nine months of 2017 can be primarily attributed to higher oil and gas sales revenues as a result of stronger commodity prices as well as the change in the unrealized value of the Company's crude oil hedges as at September 30, 2017 as compared to September 30, 2016. This was partially offset by a $0.07 million realized loss on financial instruments as compared to a $4.7 million realized gain in the same period in the prior year as well as higher exploration and evaluation expenses in the first nine months of 2017.

FINANCIAL AND OPERATING RESULTS

Sales Volumes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Sales				
Natural gas *(mcf/d)*	**499**	145	**558**	145
Crude oil *(bbls/d)*	**2,579**	2,728	**2,749**	2,804
Total sales *(boe/d)*	**2,662**	2,752	**2,842**	2,828
	(%)	*(%)*	*(%)*	*(%)*
Production Split				
Natural gas	**3**	1	**3**	1
Crude oil	**97**	99	**97**	99
Total	**100**	100	**100**	100

The Company commenced the injection of the majority of its natural gas production into the Alberta Bakken Property pursuant to the EOR scheme in March 2016. In the third quarter of 2017, the Company's oil sales were 97 percent of total Company production and for the nine months ended September 30, 2017, the Company's oil sales were 97 percent of total Company production.

For the three months ended September 30, 2017, the Company's production averaged 2,662 boe/d compared to 2,752 boe/d in the same period of 2016 and 2,859 boe/d in the second quarter of 2017. On a per boe basis, volumes decreased by three percent year-over-year and seven percent over the second quarter of 2017. The year-over-year and quarter-over-quarter volumes reflect fluctuations in gas sales as a result of the Company producing more gas than the injection capacity in 2017 as well as a decrease in oil sales as a result of natural declines.

For the first nine months of 2017, the Company's production averaged 2,842 boe/d compared to 2,828 boe/d in the same period in 2016. This one percent increase is attributable to the increase in gas sales discussed above partially offset by natural declines.

Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($000s)				
Natural gas	**135**	33	**429**	59
Crude oil	**12,541**	11,533	**40,486**	31,269
NGLs and other	**-**	16	**-**	108
Total oil and natural gas revenue	**12,676**	11,582	**40,915**	31,436

During the three months ended September 30, 2017, revenue increased by nine percent to $12.7 million from $11.6 million in the comparative period of 2016. The year-over-year increase is the result of an increase in crude oil market prices. As compared to the second quarter of 2017, revenue decreased by eight percent to $12.7 million from $13.8 million due to a slight decrease in crude oil market prices and lower production volumes in the quarter.

For the first nine months of 2017, revenue totaled $40.9 million compared to $31.4 million for the same period in 2016. This increase was mainly the result of the increase in crude oil market prices.

Pricing for the three and nine months ended September 30, 2017 is further discussed below in "Commodity Prices and Foreign Exchange".

Commodity Prices and Foreign Exchange

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Benchmark Prices				
Crude oil				
WTI *(US$/bbl)*	**48.21**	44.94	**49.47**	41.33
Hardisty Bow River *(Cdn$/boe)*	**58.57**	51.54	**59.30**	46.59
Differential – Bow River/WTI *(US$/bbl)*	**(9.41)**	(13.18)	**(11.57)**	(13.28)
Natural gas				
NYMEX *(US$/mmbtu)* [1]	**3.00**	2.81	**3.17**	2.29
AECO *(Cdn$/GJ)* [2]	**1.93**	2.20	**2.45**	1.76
Average Realized Prices				
Natural gas *($/mcf)*	**2.95**	2.50	**2.81**	1.51
Crude oil *($/bbl)*	**52.85**	45.95	**53.95**	40.70
Combined average *($/boe)*	**51.76**	45.68	**52.74**	40.43
Foreign Exchange				
Cdn$/US$	**1.25**	1.31	**1.31**	1.32
US$/Cdn$	**0.80**	0.77	**0.76**	0.76

(1) Mmbtu is the abbreviation for millions of British thermal units. One mcf of natural gas is approximately 1.02 mmbtu.
(2) GJ is the abbreviation for gigajoule. One mcf of natural gas is approximately 1.05 GJ

Crude Oil Pricing

The average realized price of Granite's crude oil was $52.85/bbl for the three months ended September 30, 2017 compared to $45.95/bbl in the same period of the prior year and $53.91/bbl in the second quarter of 2017. Granite's realized oil price increased by 15 percent from the third quarter of 2016 due to the increase in the US$ WTI benchmark price compounded by lower differentials and a less favourable exchange rate. Granite's realized oil price decreased by two percent from the second quarter of 2017 mainly driven by the change in the US$/Cdn$ foreign exchange rates quarter-over-quarter.

For the nine months ended September 30, 2017, the Company's average realized crude oil price was $53.95/bbl compared to $40.70/bbl in the same period in the prior year, a 33 percent increase driven by higher benchmark prices.

Natural Gas Pricing

Granite average realized natural gas price was $2.95/mcf for the three months ended September 30, 2017 as compared to $2.50/mcf for the same period in the prior year. This 18 percent increase can be attributed to the fluctuations in the gas index price and the timing of the gas sales throughout the current quarter as compared to the same period in the prior year.

Granite's average realized natural gas price was $2.81/mcf in the first nine months of 2017 versus $1.51/mcf in the same period of 2016. The Company's realized gas price increased by 86 percent from the same period in 2016 driven by the increase in the gas index price.

Price Risk & Mitigation

Ongoing commodity price volatility may affect Granite's funds from operations and rates of return on capital programs. As continued volatility is expected in 2017 and 2018, Granite will continue to take steps to mitigate these risks and protect its financial position.

The Company's financial results are significantly influenced by fluctuations in commodity prices, including price differentials and foreign exchange rates. As a means of managing commodity price volatility and its impact on cash flows, the Company seeks to protect itself from fluctuations in prices and exchange rates through its risk management program. As at September 30, 2017, Granite had eight crude oil hedges and two foreign exchange hedges (refer to "Risk Management" below for details). Most commodity prices are based on US dollar benchmarks, which result in the Company's realized prices being influenced by the Canadian/US exchange rates.

Royalties

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Oil and natural gas revenue *($000s)*	**12,676**	11,582	**40,915**	31,436
Total royalties *($000s)*	**3,409**	2,788	**10,617**	8,126
Total royalties *($/boe)*	**13.92**	11.01	**13.68**	10.49
Percent of oil and natural gas revenue *(%)*	**27**	24	**26**	26

The Alberta Bakken Property is primarily subject to freehold royalties, which work on a sliding-scale determined monthly on a well-by-well basis using a calculation based on the Alberta crown royalty regulation implemented in 2009 with a cap of 30 percent. The sliding scale provides varying rates based on productivity (a higher royalty is payable from wells with higher production rates) and commodity prices (a higher royalty is payable in times of higher natural gas and crude oil prices). This area is also subject to freehold mineral taxes (which are included as royalties for financial reporting purposes) and overriding royalties related to farm-in arrangements.

For the three months ended September 30, 2017, royalties totaled $3.4 million or 27 percent of oil and gas sales revenue compared to $2.8 million or 24 percent of revenue for the same quarter in 2016 and $3.1 million or 23 percent of revenue in

the second quarter of 2017. The year-over-year royalty rate increase as well as the increase from the second quarter of 2017 is due primarily to non-recurring royalty amendments made in the prior periods which reduced the Company's royalties in both the third quarter of 2016 as well as the second quarter of 2017.

For the nine months ended September 30, 2017, royalties totaled $10.6 million or 26 percent of oil and gas sales revenue compared to $8.1 million or 26 percent of oil and gas sales revenue for the same period in 2016.

Operating and Transportation Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Operating expenses *($000s)*	**2,229**	1,991	**6,433**	5,361
Transportation expenses *($000s)*	**347**	373	**1,139**	1,141
Total operating and transportation expenses *($000s)*	**2,576**	2,364	**7,572**	6,502
Operating expenses *($/boe)*	**9.10**	7.86	**8.29**	6.92
Transportation expenses *($/boe)*	**1.42**	1.47	**1.47**	1.47
Total operating and transportation expenses *($/boe)*	**10.52**	9.33	**9.76**	8.39

Operating costs include all costs associated with the production of crude oil and natural gas. The major components of operating costs include charges for contract operating, processing fees, lease rentals, property and pipeline taxes, utilities and well maintenance charges.

Operating expenses for the three months ended September 30, 2017 totaled $2.2 million or $9.10/boe compared to $2.0 million or $7.86/boe in the same period of 2016 and $2.2 million or $8.53/boe in the second quarter of 2017. Operating expenses were consistent as compared to the second quarter of 2017. The increase in operating expenses as compared to the three months ended September 30, 2016 can be attributed to increased service costs and workovers performed in the third quarter of 2017.

Transportation expenses for the three months ended September 30, 2017 were $0.3 million or $1.42/boe compared to $0.4 million or $1.47/boe in the same period in the prior year and $0.4 million or $1.53/boe in the second quarter of 2017. Transportation costs fluctuated slightly as compared to both the third quarter of 2016 as well as the second quarter of 2017 with the change in production volumes and associated trucking costs.

For the nine months ended September 30, 2017, the Company incurred operating expenses of $6.4 million or $8.29/boe compared to $5.4 million or $6.92/boe in the same period in the prior year. Transportation expenses for the first nine months of 2017 totaled $1.1 million or $1.47/boe as compared to $1.1 million or $1.47/boe in the same period in 2016. The increase in operating costs as compared to the nine months ended September 30, 2016, can be attributed to increased service costs as well as workover costs. Transportation costs were consistent year over year.

Risk Management

Granite maintains a risk management program to reduce the volatility of revenues and to increase the certainty of funds from operations. As at September 30, 2017, the Company had the following crude oil risk management contracts, with a total mark-to-market asset of $0.02 million and a long term mark-to-market liability of $0.07 million (December 31, 2016 – $2.9 million liability):

Crude Oil Contracts

Remaining Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Oct. 1/17 – Dec. 31/17	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US $53.00/bbl
Oct. 1/17 – Dec. 31/17	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US $52.50/bbl
Oct. 1/17 – Dec. 31/17	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US $51.20/bbl
Jan. 1/18 – Jun. 30/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $48.90/bbl
Jan. 1/18 – Dec. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $49.00/bbl
Jan. 1/18 – Dec. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $50.00/bbl
Jan. 1/18 – Dec. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $50.50/bbl
Jan. 1/18 – Dec. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $52.00/bbl

Foreign Exchange Contracts

Remaining Period	Currency	Type of Contract	Quantity	Strike Price
Oct. 1/17 – Dec. 31/17	US$	Average Rate Forward	US $400,000	1.3633 (CAD/USD)
Oct. 1/17 – Dec. 31/17	US$	Average Rate Forward	US $200,000	1.3551 (CAD/USD)

Subsequent to September 30, 2017, the Company entered into the following Crude Oil Contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Jan. 1/18 – Mar. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $54.00/bbl
Jan. 1/18 – Mar. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $55.00/bbl
Jan. 1/18 – Mar. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $55.00/bbl
Jan. 1/18 – Mar. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $57.20/bbl
Jan. 1/18 – Jun. 30/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $51.60/bbl
Jan. 1/18 – Jun. 30/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $52.45/bbl
Apr. 1/18 – Jun. 30/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $56.55/bbl
Jul. 1/18 – Dec. 31/18	Crude Oil	Fixed	200 bbls/d	WTI-NYMEX	US $55.45/bbl
Jul. 1/18 – Dec. 31/18	Crude Oil	Fixed	200 bbls/d	WTI-NYMEX	US $55.40/bbl

Gains and losses on risk management contracts are composed both of unrealized gains or losses that represent the change in the mark-to-market position of those contracts throughout the period and of realized gains and losses representing the portion of the contracts that have been settled in cash during the period. The Company has elected not to use hedge accounting for its current risk management contracts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Unrealized gain (loss) on financial instruments *($000s)*	**(1,400)**	435	**2,826**	(8,038)
Unrealized gain (loss) on financial instruments *($/boe)*	**(5.72)**	1.72	**3.64**	(10.37)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Realized gain (loss) on financial instruments *($000s)*	**542**	829	**(69)**	4,685
Realized gain (loss) on financial instruments *($/boe)*	**2.21**	3.27	**(0.09)**	6.05

During the three months ended September 30, 2017, the Company recorded an unrealized loss on financial instruments of $1.4 million and a realized gain of $0.5 million. In the same period of the prior year, the Company recorded an unrealized gain of $0.4 million and a realized gain of $0.8 million. In the second quarter of 2017, the Company recorded an unrealized gain of $1.7 million and a realized loss of $0.2 million. The unrealized loss in the third quarter of 2017 resulted from a decrease in the mark-to-market of financial risk management contracts as at September 30, 2017 as compared to June 30, 2017. These non-cash unrealized derivative gains (losses) are generated by the change over the reporting period in the mark-to-market valuation of Granite's risk management contracts. The realized gains or losses represent actual cash settlements under the respective commodity, foreign exchange and interest rate contracts in the respective periods.

For the nine months ended September 30, 2017, the Company recorded an unrealized gain of $2.8 million and a realized loss of $0.07 million compared to an unrealized loss of $8.0 million and a realized gain of $4.7 million, in the same period of 2016.

Operating Netback [1][2]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($/boe)				
Average sales price	**51.76**	45.74	**52.74**	40.56
Royalties	**(13.92)**	(11.01)	**(13.68)**	(10.49)
Operating expenses	**(9.10)**	(7.86)	**(8.29)**	(6.92)
Transportation expenses	**(1.42)**	(1.47)	**(1.47)**	(1.47)
Operating netback prior to hedging gain (loss)	**27.32**	25.40	**29.30**	21.68
Realized gain (loss) on financial instruments	**2.21**	3.27	**(0.09)**	6.05
Operating netback [2]	**29.53**	28.67	**29.21**	27.73

(1) For a description of the boe conversion ratio, refer to "Other Measurements" below.
(2) Operating netback is a non-GAAP measure which is defined below under "Non-GAAP Measurements - Operating Netback".

The operating netback was $29.53/boe for the three months ended September 30, 2017 compared to $28.67/boe in the same period of 2016 and $30.37/boe in the second quarter of 2017. The Company experienced a higher realized average sales price in the three months ended September 30, 2017 as compared to the third quarter of 2016 due to an increase in WTI prices offset by higher royalties in the current period as well as a slight increase in operating expenses. The Company realized a slightly lower gain on financial instruments as compared to the third quarter of 2016. As compared to the second quarter of 2017, the Company realized a slightly lower operating netback due to a lower average sales price, higher royalties due to a non-recurring royalty amendment received in the second quarter of 2017 as well as an increase in both operating expenses in

the current quarter on a per boe basis. This was partially offset by a realized gain on financial instruments as compared to a loss in the second quarter of 2017.

For the first nine months of 2017, the operating netback was $29.21/boe compared to $27.73/boe in the same period of 2016, due to higher year-to-date pricing but offset by higher royalties, operating expenses and a realized loss on financial instruments as compared to a realized gain on financial instruments in the first nine months of 2016.

General and Administrative (G&A) Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($000s except per boe)				
Gross G&A expense	**795**	984	**2,440**	2,845
Capitalized G&A (direct)	**(155)**	(156)	**(492)**	(465)
G&A expense (net)	**640**	828	**1,948**	2,380
G&A expense (net) *($/boe)*	**2.61**	3.27	**2.51**	3.07

Gross G&A expense totaled $0.8 million for the three months ended September 30, 2017 compared to $1.0 million in the same period in the prior year and $0.8 million in the second quarter of 2017. Net G&A costs were $0.6 million or $2.61/boe in the third quarter of 2017 compared to $0.8 million or $3.27/boe in the third quarter of 2016 and $0.6 million or $2.54/boe in the second quarter of 2017. When compared to the same quarter of the prior year, gross G&A costs decreased on an absolute basis due to lower salary and consulting costs in the current quarter as a result of staffing reductions in the fourth quarter of 2016. Gross G&A costs were consistent with the second quarter of 2017.

Net G&A expense for the first nine months of 2017 totaled $1.9 million or $2.51/boe compared to $2.4 million or $3.07/boe in the same period of 2016. The decrease in G&A is attributable to lower salary and consulting costs in the current year as a result of staffing reductions in the fourth quarter of 2016.

The Company capitalized direct G&A expenses amounting to $0.2 million for the three months ended September 30, 2017, as compared to $0.2 million in the third quarter of 2016 and $0.2 million in the second quarter of 2017.

During the nine months ended September 30, 2017, the Company capitalized $0.5 million in direct costs related to its exploration and development efforts compared to $0.5 million in the same period of 2017.

Share-Based Compensation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($000s except per boe)				
Gross share-based compensation	**1,116**	1,003	**3,993**	4,823
Capitalized share-based compensation	**(530)**	(431)	**(1,886)**	(1,776)
Share-based compensation expense (net)	**586**	572	**2,107**	3,047
Share-based compensation expense (net) *($boe)*	**2.39**	2.26	**2.72**	3.93

The Company's Share Incentive Plan ("SIP") is made up of both time-based awards ("TBA") and performance-based awards ("PBA"). The awards granted under the SIP vest one third on each of the first, second and third anniversaries of the grant date. Each performance based award granted is subject to a performance multiplier ranging from 0 to 2, dependent on the performance of Granite at the end of the vesting period relative to corporate performance measures determined at the discretion of Granite's Board of Directors. The fair value of the awards granted under the plan is estimated at the grant date using a binomial pricing model. At September 30, 2017, the Company had 1,164,244 awards outstanding under the SIP.

DeeThree's stock option plan was terminated pursuant to the POA and unvested, outstanding, in-the-money DeeThree options were replaced with options to acquire shares of Granite and Boulder. At September 30, 2017, the Company had 12,665 replacement options outstanding.

Share-based compensation expense is a non-cash expense that reflects the amortization over the vesting period of the fair value of stock options and share incentives granted to the Company's employees, consultants and directors.

For the three months ended September 30, 2017, the Company incurred net share-based compensation expense of $0.6 million or $2.39/boe versus $0.6 million or $2.26/boe in the same period of 2016 and $0.9 million or $3.41/boe in the second quarter of 2017. Share-based compensation was consistent with the third quarter of 2016. The decrease from the second quarter of 2017 is the result of the effect of changes in the estimated performance multiplier as well as the effect of the true-up of the performance multiplier on vested share incentives in June 2017. As at September 30, 2017, the estimated performance multiplier for all PBAs is 1.5.

During the first nine months of 2017, Granite incurred net share based compensation of $2.1 million or $2.72/boe compared to $3.0 million or $3.93/boe in the same period in the prior year.

Depletion and Depreciation (D&D) Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Depletion and depreciation expense *($000s)*	**3,812**	4,034	**12,288**	13,103
Depletion and depreciation expense *($/boe)*	**15.57**	15.93	**15.84**	16.91

For the three months ended September 30, 2017, the Company recorded D&D expense of $3.8 million or $15.57/boe compared to $4.0 million or $15.93/boe in the same period of 2016 and $4.1 million or $15.84/boe in the second quarter of 2017. The change in the D&D expense year-over-year and quarter-over-quarter is attributable to the impact of the changes in future development costs, total Company reserves and production over the same period.

For the nine months ended September 30, 2017, the Company recorded D&D expense of $12.3 million or $15.84/boe as compared to $13.1 million or $16.91/boe in the same period in the prior year.

Exploration and Evaluation (E&E) Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Exploration and evaluation expense *($000s)*	**4,224**	139	**7,701**	910
Exploration and evaluation expense *($/boe)*	**17.25**	0.55	**9.93**	1.17

During the three months ended September 30, 2017, the Company recorded E&E expense of $4.2 million or $17.25/boe compared to $0.1 million or $0.55/boe in the third quarter of 2016 and $3.2 million or $12.24/boe in the second quarter of 2017. The E&E expense recognized in the current quarter relates entirely to lease expiries in the Company's non-core area and does not affect the future development program.

During the nine months ended September 30, 2017, the Company recorded E&E expense of $7.7 million or $9.93/boe compared to $0.9 million or $1.17/boe in the comparable period of 2016.

Accretion and Finance Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($000s except per boe)				
Accretion expense on decommissioning liabilities	**84**	73	**234**	221
Finance expense	**344**	370	**1,157**	1,080
Total accretion and finance expenses	**428**	443	**1,391**	1,301
Accretion expense on decommissioning liabilities *($/boe)*	**0.34**	0.29	**0.30**	0.29
Finance expense *($/boe)*	**1.41**	1.46	**1.49**	1.39
Total accretion and finance expenses *($/boe)*	**1.75**	1.75	**1.79**	1.68

Accretion expense represents the increase in the present value of the Company's decommissioning liabilities. In the third quarter of 2017, the Company recorded accretion expense of $0.08 million or $0.34/boe compared to $0.07 million or $0.29/boe in the same period of 2016 and $0.08 million or $0.29/boe in the second quarter of 2017.

During the three months ended September 30, 2017, the Company recorded interest and finance expenses of $0.3 million or $1.41/boe compared to $0.4 million or $1.46/boe in the same period of 2016 and $0.5 million or $1.90/boe in the previous quarter. The Company incurred interest charges and standby fees related to the Company's credit facility which was drawn to $37.4 million at the end of the quarter (December 31, 2016 – $27.9 million).

For the first nine months of 2017, the Company recorded accretion expense of $0.2 million or $0.30/boe compared to $0.2 million or $0.29/boe in the comparable period of 2016. The Company also recorded finance expense of $1.2 million or $1.49/boe compared to $1.1 million or $1.39/boe in the same period of the prior year.

Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Deferred income tax expense (recovery) *($000s)*	**(861)**	626	**660**	(1,070)
Deferred income tax expense (recovery) *($/boe)*	**(3.51)**	2.47	**0.85**	(1.38)

During the three months ended September 30, 2017, the Company recorded a deferred income tax recovery of $0.9 million or $3.51/boe compared to a $0.6 million expense or $2.47/boe in the same period of 2016 and a $0.3 million expense or $1.27/boe in the second quarter of 2017. The deferred income tax recovery is a function of the loss in the third quarter of 2017.

During the nine months ended September 30, 2017, the Company recorded a deferred income tax expense of $0.7 million or $0.85/boe compared to a $1.1 million recovery or $1.38/boe in the same period in the prior year. The deferred income tax expense is a function of the income incurred in the first nine months of 2017.

Granite does not have current income taxes payable and does not expect to pay current income taxes in 2017 as the Company had estimated tax pools available at September 30, 2017 of $180.2 million (December 31, 2016 – $185.0 million).

INVESTMENT AND INVESTMENT EFFICIENCIES

Capital Expenditures and Acquisitions

(excluding decommissioning liabilities and capitalized share-based compensation)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($000s except number of wells)				
Drilling and completions	**2,670**	4,179	**10,933**	10,394
Equipment and facilities	**407**	847	**2,661**	3,435
Workovers and gas injection conversion	**359**	1,025	**1,439**	1,396
Land and lease retention	**6**	34	**6**	597
Capitalized G&A and other	**129**	159	**504**	475
Total exploration and development	**3,571**	6,244	**15,543**	16,297
Property and equipment acquisitions, dispositions and adjustments	**(40)**	–	**(1,375)**	–
Total capital expenditures	**3,531**	6,244	**14,168**	16,297
Total wells drilled *(#)*	**2 (2.0)**	3 (3.0)	**8 (8.0)**	7 (7.0)

During the three months ended September 30, 2017, the Company incurred a total of $3.5 million (three months ended September 30, 2016 – $6.2 million) in capital expenditures, excluding non-cash decommissioning liabilities and capitalized share-based compensation. Drilling and completion expenditures totaled $2.7 million in the three months ended September 30, 2017 (three months ended September 30, 2016 – $4.2 million), $0.4 million was spent on tie-ins and facilities (three months ended September 30, 2016 – $0.8 million) and $0.4 million related to workovers and gas injection conversions (three months ended September 30, 2016 – $1.0 million). The remaining $0.1 million in the three months ended September 30, 2017 (three months ended September 30, 2016 – $0.2 million) was invested in capitalized G&A and other corporate assets and $(0.04) million on property and equipment acquisitions, dispositions and adjustments (three months ended September 30, 2016 - $nil).

During the nine months ended September 30, 2017, the Company incurred a total of $14.2 million (nine months ended September 30, 2016 – $16.3 million) in capital expenditures, excluding non-cash decommissioning liabilities and capitalized share-based compensation. Drilling and completion expenditures totaled $10.9 million (nine months ended September 30, 2016 – $10.4 million), $2.7 million was spent on tie-ins and facilities (nine months ended September 30, 2016 – $3.4 million), $1.4 million related to workovers and gas injection conversion (nine months ended September 30, 2016 - $1.4 million). The remaining $0.5 million in the nine months ended September 30, 2017 (nine months ended September 30, 2016 – $0.5 million) was invested in capitalized G&A and other corporate assets and $(1.4) million on property and equipment acquisitions, dispositions and adjustments (nine months ended September 30, 2016 - $nil).

Drilling Activity

During the three months ended September 30, 2017 Granite drilled a total of 2 gross (2.0 net) crude oil development wells. During the three months ended September 30, 2016 the Company drilled 3 gross (3.0 net) crude oil development wells.

During the nine months ended September 30, 2017, Granite drilled a total of 8 gross (8.0 net) crude oil development wells. During the nine months ended September 30, 2016, the Company drilled 7 gross (7.0 net) crude oil development wells.

LIQUIDITY AND FINANCIAL RESOURCES

Net Debt [1]

The following table summarizes net debt as at September 30, 2017 and December 31, 2016:

($000s)	**September 30, 2017**	December 31, 2016
Working capital (deficiency)	**470**	(3,862)
Bank debt	**(37,363)**	(27,901)
Net debt [1] – end of period	**(36,893)**	(31,763)

[1] Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary under "Non-GAAP Measurements" for further discussion.

Granite entered 2017 with net debt of $31.8 million. During the nine months ended September 30, 2017, the Company generated funds from operations of $19.5 million, invested $14.2 million in capital expenditures and paid $10.7 million in dividends. In addition, 51,087 options were exercised for total cash proceeds of $0.2 million. Granite exited the quarter with net debt of $36.9 million.

As at September 30, 2017 and December 31, 2016, Granite's credit facility has an authorized borrowing base of $60 million consisting of a $45 million revolving demand credit facility and a $15 million revolving demand operating facility. At September 30, 2017, Granite's credit facility was drawn to approximately $37.4 million with $22.6 million of unused borrowing capacity.

Interest is charged at a rate per annum equal to the Canadian prime rate during said period plus the applicable margin, being a range of 0.5 percent to 2.5 percent, as determined by the Company's debt to cash flow ratio (as defined by the lender). Standby fees associated with this facility are charged based on an applicable margin, being a range of 0.2 percent to 0.45 percent per annum on the undrawn portion of the facility, again based on the Company's debt to cash flow ratio. Under this credit facility, the Company is required to maintain a current ratio of not less than 1:1. The Company had no defaults or breaches on its bank debt or any of its financial liabilities as at or for the nine months ended September 30, 2017.

The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. The borrowing base of the credit facility is subject to review at least semi-annually and is currently underway. A decrease in the borrowing base could result in a reduction to the credit facility. Collateral for this facility consists of a general security agreement, providing a security interest over all present and subsequently acquired personal property and a floating charge on all present and subsequently acquired land interests of the Company.

The Company manages its liquidity through continuously monitoring cash flows from operating activities, review of actual capital expenditures against budget, managing maturity profiles of financial assets and financial liabilities and managing its commodity price risk management program. These activities ensure that the Company has sufficient funds to meets its financial obligations when due. The Company anticipates that it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows from operations and available bank debt.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Years Ended December 31,	2017	2018	2019	2020	Total
($000s)					
Operating lease – office	54	218	218	218	708
Total commitments	54	218	218	218	708

As at September 30, 2017, the Company had contractual obligations for its office lease totaling approximately $0.7 million to July 2020. The office lease obligations are comprised of the lease payments and an estimate of occupancy costs of the Company's head office space.

In connection with the Company's issuance of flow-through shares during the second quarter of 2016, Granite is required to incur $3.0 million on eligible exploration expenditures by December 31, 2017.

SHARE CAPITAL

As at November 9, 2017, the Company had the following equity securities outstanding:

Common shares outstanding	34,190,652
Stock options outstanding	9,332
Share incentives outstanding	1,164,244

SELECTED QUARTERLY INFORMATION [1][4]

Three Months Ended	**Sep. 30, 2017**	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
(000s, except per share amounts and production figures)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Oil and natural gas revenues	**12,676**	13,788	14,451	14,072	11,582	11,837	8,017	13,181
Funds from operations	**6,218**	6,743	6,560	6,203	6,061	6,014	5,958	13,349
Per share – basic	**0.18**	0.20	0.19	0.18	0.18	0.19	0.20	0.44
Per share – diluted	**0.18**	0.20	0.19	0.18	0.18	0.19	0.19	0.43
Cash flow from operating activities	**5,028**	4,847	6,086	6,405	8,819	5,172	6,114	19,934
Net income (loss)	**(2,996)**	(116)	2,500	(1,061)	1,052	(5,010)	(2,258)	(1,610)
Per share – basic	**(0.09)**	(0.00)	0.07	(0.03)	0.03	(0.16)	(0.07)	(0.05)
Per share – diluted	**(0.09)**	(0.00)	0.07	(0.03)	0.03	(0.16)	(0.07)	(0.05)
Total assets	**287,166**	292,618	292,175	291,051	290,594	291,054	291,928	298,698
Capital expenditures [2]	**3,531**	5,846	4,791	5,326	6,244	5,731	4,322	8,632
Net debt [3]	**36,893**	35,985	33,359	31,763	29,323	25,697	41,126	39,612
Shareholders' equity	**207,266**	212,735	214,680	214,346	218,198	219,592	207,607	211,293
Dividends declared (per share)	**0.1050**	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1025
Production								
Natural gas (mcf/d) [5]	**499**	448	730	299	145	–	290	841
Crude oil (bbls/d)	**2,579**	2,784	2,887	2,928	2,728	2,858	2,828	3,334
NGLs (bbls/d)	–	–	–	–	–	–	–	2
Total (boe/d)	**2,662**	2,859	3,009	2,978	2,752	2,858	2,876	3,476

(1) The selected quarterly information was prepared in accordance with the accounting principles described in the notes to the financial statements, except for funds from operations and net debt, which is not prescribed under IFRS (see "Non-GAAP Measurements" below).
(2) Total capital expenditures, excluding acquisitions and non-cash transactions.
(3) Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary under "Non-GAAP Measurements" for further discussion.
(4) Refer to the description of the comparability of prior period information in the Management's Discussion and Analysis under "About Granite Oil Corp.".
(5) Commencing in March 2016, the Company began injecting the majority of its natural gas production into the Alberta Bakken Property pursuant to the EOR scheme.

BUSINESS RISKS AND RISK MITIGATION

The Granite management team conducts focused strategic planning and has identified the key risks, uncertainties and opportunities associated with the Company's business that can affect its financial results. They include, but are not limited to:

Reserves and Resource Estimates

Granite's exploration and production activities are concentrated in the Western Canada Sedimentary Basin, where the industry is very competitive. There are a number of risks facing participants in the oil and natural gas industry, some of which are common to all businesses, while others are specific to the sector and company. These include risks such as finding and developing oil and natural gas reserves economically, estimating reserves, producing the reserves in commercial quantities, finding a suitable market at attractive commodity prices, financial and liquidity risks and environmental and safety risks.

Granite's future oil and natural gas reserves and production and, therefore, its cash flows, will be highly dependent on the Company's success in exploiting its reserve base and acquiring additional reserves. The Company mitigates the risk of finding and developing economical oil and natural gas reserves by utilizing a team of highly qualified professionals with expertise and experience in these areas. Granite attempts to maximize drilling success by exploring areas that have multi-zone opportunities, including targeting deeper horizons with uphole potential, continuously assessing new acquisition opportunities to complement existing activities and balancing higher-risk exploratory drilling with lower-risk development drilling.

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Granite minimizes this risk by generating exploration prospects internally, targeting high-quality projects, operating the project and by attempting to access sales markets through Company-owned infrastructure or mid-stream operators.

Granite has retained an independent engineering consulting firm that assists the Company in evaluating oil and natural gas reserves. Reserve values are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and governmental regulation. The reserves and recovery information contained in the independent reserves evaluation is an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator.

Prices, Markets and Marketing

There are a number of factors that are beyond Granite's control which affect the price and marketability of oil and natural gas acquired, discovered or produced by the Company.

In Canada, the producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Minor fluctuations in the supply and demand for oil and natural gas, market uncertainty, and the availability of access to local and foreign markets, among other factors listed below, result in large fluctuations in the price of oil and natural gas. Additional factors affecting the price of oil and natural gas may include, among others, economic and political conditions in the United States, Canada, Russia, Europe, China and emerging markets, the actions of the Organization of the Petroleum Exporting Countries ("OPEC"), governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply and demand of oil and natural gas, the price of foreign imports and the availability of alternative fuel sources.

It is anticipated that oil prices will remain volatile as a result of global excess supply due to the increased growth of shale oil production in the United States, the decline in global demand for oil exports, OPEC's ongoing decisions pertaining to the oil production of OPEC member countries, and non-OPEC member countries' decisions on production levels, among other factors. Volatile crude oil and natural gas prices make it difficult to estimate the value of producing properties for development and acquisition activities and often cause disruption in the acquisition, divestiture or leasing of petroleum and natural gas producing properties, as buyers, sellers, lessors and lessees have difficulty agreeing on the value or terms of such

arrangements. Price volatility also makes it difficult to budget for and project the return on potential acquisitions, development and exploration projects.

The factors discussed above could result in a material decrease in Granite's net production revenue and a reduction in its oil and natural gas acquisition, development, exploration and production activities. Any substantial or extended decline in oil and natural gas prices could result in a reduction of the Company's net revenue and have an adverse effect on the carrying value of its reserves, borrowing capacity, revenue, profitability, cash flow from operations and prospects. Additionally, the economics of production may change as a result of continued lower prices, which could result in reduced production volumes and a reduction in the general value of the Company's reserves.

Weakness in the Oil and Gas Industry

Several recent market events and conditions have caused significant weakness and volatility in commodity prices. Such events include, but are not limited to, global excess oil and natural gas supply, recent actions taken by OPEC, slowing growth in emerging economies, market volatility and disruptions in several oil and natural gas producing nations, sovereign debt levels and political upheavals in various countries. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a widespread decrease in confidence in the oil and gas industry, resulting in a corresponding tightening of credit conditions.

Volatility and uncertainty has been exacerbated in Canada by the recent changes in government at a federal level and at the provincial level in Alberta. As a result of these changes in government, there has been significant uncertainty surrounding regulatory, tax, royalty changes and environmental regulations that have been announced or may be implemented by the new governments. In addition, the uncertainty surrounding obtaining the necessary approvals to build pipelines and other facilities to provide better access to markets for the oil and gas industry in Western Canada has led to additional downward price pressure on oil and gas produced in Western Canada and uncertainty and reduced confidence in the oil and gas industry in Western Canada in particular.

Political Uncertainty

During 2016, the United States and certain European countries experienced significant political events that have cast uncertainty on the global financial and economic markets. During the recent presidential campaign in the United States, a number of election promises relating to trade and marketability of commodities were made. During the first quarter of 2017, the new American administration began to take steps to implement and act on certain of the election promises. Of the items that were discussed, the following could have a direct impact on the ability of the Company to market its products and the price that the Company could obtain for its products: renegotiation of the terms of the North American Free Trade Agreement, withdrawal of the United States from the Trans-Pacific Partnership, imposition of a tax on the importation of goods into the United States, reduction of regulation and taxation in the United States, and introduction of laws to reduce immigration and restrict access into the United States for citizens of certain countries. It is presently unclear exactly what actions the new administration in the United States will implement, and if implemented, how these actions may impact Canada and in particular the oil and gas industry. Any actions taken by the new United States administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian oil and gas companies, including the Company.

In addition to the political disruption in the United States, in 2016 the citizens of the United Kingdom voted to withdraw from the European Union and the Government of the United Kingdom has begun taken steps to implement such withdrawal. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement,

it could have an adverse effect on the Company's ability to market its products internationally, increase costs for goods and services required for the Company's operations, reduce access to skilled labour and negatively impact the Company's business, operations, financial conditions and ultimately the market value of the Common Shares.

Operational Matters

The operation of oil and natural gas wells involves a number of operating and natural hazards that may result in blowouts, environmental damage and other unexpected or dangerous conditions causing damage to Granite and possible liability to third parties. Granite has established an environmental, health and safety program and has updated its operational emergency response plan and operational safety manual to address these operational issues. Granite maintains a comprehensive insurance plan, which includes liability insurance, where available, in amounts consistent with industry standards, as well as business interruption insurance for selected facilities, to the extent that such insurance is available, to mitigate risks and protect against significant losses where possible. Granite may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premiums or other reasons. Granite operates in accordance with all applicable environmental legislation and strives to maintain compliance with such regulations. Granite's mandate includes ongoing development of procedures, standards and systems to allow its staff to make the best decisions possible and ensuring those decisions are in compliance with the Company's environmental, health and safety policies.

Access to Capital

The oil and natural gas industry is a very capital-intensive industry and, in order to fully realize the Company's strategic goals and business plans, Granite will rely on equity markets as a source of new capital in addition to bank financing and internally generated cash flow to fund its ongoing capital investments. Granite's ability to raise additional capital will depend on a number of factors that are beyond the Company's control, such as general economic and market conditions. Internally generated funds will also fluctuate with changing commodity prices.

Granite currently has a demand credit facility with a syndicate of three banks. The amount authorized under Granite's credit facility is dependent on the borrowing base determined by its lenders. The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. The borrowing base of the credit facility is subject to review at least semi-annually. A decrease in the borrowing base could result in a reduction to the credit facility. Collateral for this facility consists of a general security agreement, providing a security interest over all present and subsequently acquired personal property and a floating charge on all present and subsequently acquired land interests of the Company. Granite is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability or price of additional funding and in the event that Granite does not comply with these covenants, its access to capital could be restricted or repayment could be required. Events beyond Granite's control may contribute to a failure to comply with such covenants. A failure to comply with covenants could result in a default under the credit facility, which could result in Granite being required to repay amounts owing thereunder. Even if Granite is able to obtain new financing in such circumstances, it may not be on commercially reasonable terms or on terms that are acceptable to the Company. If Granite is unable to repay amounts owing under the credit facility or other credit agreements, its lenders could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the credit facility and other credit agreements may impose operating and financial restrictions on the Company that could include restrictions on the payment of dividends, the repurchase or making of other distributions with respect to Granite's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among other restrictions. Granite routinely reviews the covenants under its credit facility based on actual and forecast results and has the ability to make changes to development plans to comply with such covenants. Granite anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank credit. Granite is committed to maintaining a strong balance sheet along with an adaptable capital expenditure program that

can be adjusted to capitalize on, or reflect, acquisition opportunities and, if necessary, a tightening of liquidity sources. From its inception to the date of this MD&A, Granite has had no defaults or breaches on its bank debt or any of its financial liabilities.

Counterparty Risk

Granite may be exposed to third party credit risk through its royalty and contractual arrangements with current or future third parties, marketers of its petroleum and natural gas production, if any, and other industry participants. In the event any such entity fails to meet their royalty, contractual or financial obligations to Granite, such failures could materially adversely affect Granite's business and financial condition. Further, poor credit conditions may impact a third party's ability to fund the development and capital programs conducted, which in turn could result in a reduction of Granite's revenues. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect all or portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

Variations in Interest Rates and Foreign Exchange Rates

Global prices for crude oil and natural gas are generally set in U.S. dollars. The Canadian/U.S. dollar exchange rate, which fluctuates over time, consequently affects the price received by producers of oil and natural gas, including Granite. Accordingly, exchange rates between Canada and the United States could affect the future value of Granite's reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Company receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for the Company's operations, which may have a negative impact on the Company's financial results. To the extent that Granite engages in risk management activities related to offsetting foreign exchange rates and fluctuations, there is credit risk associated with counterparties with which Granite may contract.

The Company may be exposed to fluctuations in interest rates as a result of the use of floating rate securities or borrowings. An increase in interest rates could result in a significant increase in the amount Granite is required to pay to service its debt, which could negatively impact its financial results and the market price of the Common Shares.

Volatility in interest rates and the Canadian dollar may affect future cash flow from operations and reduce funds available for capital expenditures. Granite may initiate certain derivative contracts to attempt to mitigate these risks. To the extent Granite engages in risk management activities related to foreign exchange rates, it will be subject to credit risk associated with counterparties with which it contracts. At the date of this MD&A, Granite has two foreign currency exchange risk management contracts.

Changes in Income Tax Legislation

In the future, income tax laws or other laws may be changed or interpreted in a manner that adversely affects Granite or its shareholders. Tax authorities having jurisdiction over Granite or its shareholders may disagree with how Granite calculates its income for tax purposes to the detriment of Granite and its shareholders.

Environmental Concerns

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Failure to comply with environmental regulations could have an adverse impact on Granite's reputation and the price of Common Shares. There is also risk that Granite could become involved in litigation or proceedings relating to environmental regulations, or be subject to costly fines or clean-up orders. Granite focuses on conducting transparent, safe and responsible operations in the communities in which its people live and work.

Project Risks

Granite's ability to execute projects and market oil and natural gas depends on numerous factors beyond its control, including: availability of processing capacity, availability and proximity of pipeline capacity, availability of storage capacity, supply of and demand for oil and natural gas, availability of alternative fuel sources, effects of inclement weather, availability of drilling and related equipment, unexpected cost increases, accidental events, change in regulations, and availability and productivity of skilled labour. Because of these factors, Granite could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

In addition to the risks listed and discussed above, Granite is subject to several other risks and uncertainties which are described in detail in the Company's Annual Information Form (AIF) dated March 22, 2017, a copy of which is available on the Company's SEDAR profile at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to adopt accounting policies that involve the use of significant estimates and assumptions. They are developed based on the best available information and are believed by management to be reasonable under the circumstances. New events or additional information may result in the revision of these estimates over time. Granite's financial and operating results incorporate certain estimates, including:

- Estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been received;
- Estimated capital expenditures on projects that are in progress;
- Estimated D&D charges that are based on estimates of oil and gas reserves that Granite expects to recover in the future;
- Estimated fair values of financial instruments that are subject to fluctuation depending on underlying commodity prices, foreign exchange rates and interest rates, volatility curves and the risk of non-performance;
- Estimated value of decommissioning liabilities that depend on estimates of future costs and timing of expenditures;
- Estimated future recoverable value of PP&E and any associated impairment charges or recoveries; and
- Estimated compensation expense under Granite's share-based compensation plan.

Granite has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budget in order to make more informed decisions on future estimates. For further information on certain estimates inherent in the financial statements, refer to note 2 in the audited financial statements for the years ended December 31, 2016 and 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is a process designed to provide reasonable assurance that all the assets are safeguarded and transactions are appropriately authorized, and to facilitate the preparation of relevant, reliable and timely information. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Granite is required to comply with National Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" and management has assessed the effectiveness of the Company's internal control over financial reporting as defined by this instrument. The assessment was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The certification of interim filings for the interim period ended September 30, 2017 requires that Granite disclose in the interim MD&A any changes in the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to

materially affect, Granite's internal control over financial reporting. Granite confirms that no such changes were made to its internal controls over financial reporting during the three and nine months ended September 30, 2017.

It should be noted that while Granite's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) believe that the Company's internal controls and procedures provide a reasonable level of assurance and are effective, they do not expect that these controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that its objectives are met.

FUTURE ACCOUNTING POLICY CHANGES

In July 2014, IFRS 9 "Financial Instruments" was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets, including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company is evaluating the impact of this standard on the financial statements and does not anticipate material changes to the valuation of its financial assets.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". It replaces existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective application of this standard is currently effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company has commenced the process of identifying and reviewing sales contracts to determine the extent of the impact, if any, that this standard will have on the financial statements as well as any additional disclosures required.

In January 2016, IFRS 16 "Leases" was issued and replaces IAS 17. The standard is required to be adopted either retrospectively or by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been adopted. The Company is currently identifying contracts that will be identified as leases and evaluating the impact of the standard on the financial statements.

NON- GAAP MEASUREMENTS

Funds from Operations

This MD&A contains the terms "funds from operations" and "funds from operations per share", which should not be considered an alternative to or more meaningful than cash flow from operating activities as determined in accordance with IFRS. These terms do not have any standardized meaning under IFRS. Granite's determination of funds from operations and funds from operations per share may not be comparable to that reported by other companies. Management uses funds from operations to analyze operating performance and leverage, and considers funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt, if applicable. Funds from operations is calculated using cash flow from operating activities as presented in the statement of cash flows, before changes in non-cash working capital. Granite presents funds from operations per share whereby per share amounts are calculated using weighted-average shares outstanding.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($000s)				
Cash flow from operating activities	**5,028**	8,819	**15,958**	20,105
Changes in non-cash working capital	**1,190**	(2,758)	**3,563**	(2,072)
Funds from operations	**6,218**	6,061	**19,521**	18,033

Operating Netback

Operating netback is a per boe measure used in operational and capital allocation decisions. Management believes that the Company's operating netback is the most useful supplemental measure as compared to other netback measures presented by the Company in previous MD&A's as it assists in analyzing the Company's operating performance. Operating netbacks are determined by deducting royalties, operating expenses and transportation expenses from oil and gas revenue and adjusted for any realized hedging gain (loss) on financial instruments.

Net Debt

Net debt, which represents current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is used to assess efficiency, liquidity and the Company's general financial strength. No IFRS measure is reasonably comparable to net debt.

OTHER MEASUREMENTS

All financial figures are in Canadian dollars. Where amounts are expressed on a barrel of oil equivalent (boe) basis, natural gas volumes have been converted to oil equivalence at 6,000 cubic feet of gas to 1 barrel of oil. This conversion ratio of 6:1 is based on an energy-equivalent conversion for the individual products, primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements pertaining to the following: projections of market prices and costs, supply and demand for natural gas and crude oil, the quantity of reserves, natural gas and crude oil production levels, capital expenditure programs, treatment under governmental regulatory and taxation regimes, and expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development.

With respect to forward-looking statements in this MD&A, the Company has made assumptions regarding, among other things, the legislative and regulatory environments of the jurisdictions where the Company carries on business or has operations, the impact of increasing competition and the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors discussed in this MD&A, such as: volatility in the market prices for natural gas and crude oil; uncertainties associated with estimating reserves; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks inherent in natural gas and crude oil operations; incorrect assessments of the value of acquisitions; and competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel. In addition, test results are not necessarily indicative of long-term performance or of ultimate recovery.

This forward-looking information represents the Company's views as of the date of this MD&A and such information should not be relied upon as representing its views as of any subsequent date. Granite has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. There may be other factors, however, that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

Additional information regarding the Company and factors that could affect its operations and financial results are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form, and may be accessed through the SEDAR website (www.sedar.com), or at the Company's website (www.graniteoil.ca). Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at	**September 30, 2017**	December 31, 2016
(000s)	*($)*	*($)*
ASSETS		
Current assets		
Accounts receivable	**6,839**	6,601
Deposits and prepaid expenses	**530**	506
Derivative financial instruments (note 11)	**20**	–
	7,389	7,107
Non-current assets		
Exploration and evaluation assets (note 4)	**29,474**	36,889
Property and equipment (note 5)	**250,303**	247,055
Total assets	**287,166**	291,051
LIABILITIES		
Current liabilities		
Bank debt (note 6)	**37,363**	27,901
Accounts payable and accrued liabilities	**5,702**	9,790
Dividend payable	**1,197**	1,179
Derivative financial instruments (note 11)	**–**	2,894
	44,262	41,764
Non-current liabilities		
Decommissioning liabilities (note 7)	**13,277**	13,307
Flow-through share premium liability (note 8)	**578**	578
Deferred tax liability	**21,717**	21,056
Derivative financial instruments (note 11)	**66**	–
Total liabilities	**79,900**	76,705
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**413,891**	411,036
Contributed surplus	**17,646**	16,287
Deficit	**(224,271)**	(212,977)
Total shareholders' equity	**207,266**	214,346
Total liabilities and shareholders' equity	**287,166**	291,051

Commitments (note 12)

Subsequent Events (note 11)

See accompanying notes to the condensed interim financial statements.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
REVENUE				
Oil and natural gas revenues	**12,676**	11,582	**40,915**	31,436
Royalties	**(3,409)**	(2,788)	**(10,617)**	(8,126)
Oil and natural gas revenues, net of royalties	**9,267**	8,794	**30,298**	23,310
Unrealized gain (loss) on financial instruments	**(1,400)**	435	**2,826**	(8,038)
Realized gain (loss) on financial instruments	**542**	829	**(69)**	4,685
	8,409	10,058	**33,055**	19,957
EXPENSES				
Operating and transportation	**2,576**	2,364	**7,572**	6,502
General and administrative	**640**	828	**1,948**	2,380
Depletion and depreciation (note 5)	**3,812**	4,034	**12,288**	13,103
Share-based compensation (note 9)	**586**	572	**2,107**	3,047
Exploration and evaluation expense (note 4)	**4,224**	139	**7,701**	910
Accretion and finance expenses	**428**	443	**1,391**	1,301
	12,266	8,380	**33,007**	27,243
Income (loss) before income tax	**(3,857)**	1,678	**48**	(7,286)
TAXES				
Deferred income tax expense (recovery)	**(861)**	626	**660**	(1,070)
Net income (loss) and comprehensive income (loss) for the period	**(2,996)**	1,052	**(612)**	(6,216)
Net income (loss) per share (note 8)				
Basic	**(0.09)**	0.03	**(0.02)**	(0.19)
Diluted	**(0.09)**	0.03	**(0.02)**	(0.19)

See accompanying notes to the condensed interim financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

	Share Capital	Contributed Surplus	Deficit	Total Equity
(000s)	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2017	**411,036**	**16,287**	**(212,977)**	**214,346**
Share-based compensation	**–**	**3,992**	**–**	**3,992**
Issued on vesting of share incentives	**2,577**	**(2,577)**	**–**	**–**
Exercise of options	**278**	**(56)**	**–**	**222**
Dividends	**–**	**–**	**(10,682)**	**(10,682)**
Net loss	**–**	**–**	**(612)**	**(612)**
Balance – September 30, 2017	**413,891**	**17,646**	**(224,271)**	**207,266**
Balance – January 1, 2016	388,949	14,479	(192,135)	211,293
Share-based compensation	–	4,823	–	4,823
Common shares issued, net of share issue costs	15,384	–	–	15,384
Flow-through shares issued	3,003	–	–	3,003
Premium on flow-through shares	(578)	–	–	(578)
Tax benefit of share issuance costs	302	–	–	302
Issued on vesting of share incentives	3,478	(3,478)	–	–
Exercise of options	254	(36)	–	218
Dividends	–	–	(10,031)	(10,031)
Net loss	–	–	(6,216)	(6,216)
Balance – September 30, 2016	410,792	15,788	(208,382)	218,198

See accompanying notes to the condensed interim financial statements.

STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(000s)	*($)*	*($)*	*($)*	*($)*
Cash flow from (used in):				
Operating activities				
Net income (loss) for the period	**(2,996)**	1,052	**(612)**	(6,216)
Adjustments for:				
Depletion and depreciation expense (note 5)	**3,812**	4,034	**12,288**	13,103
Deferred income tax expense (recovery)	**(861)**	626	**660**	(1,070)
Share-based compensation (note 9)	**586**	572	**2,107**	3,047
Accretion (note 7)	**84**	73	**234**	221
Unrealized (gain) loss on financial instruments	**1,400**	(435)	**(2,826)**	8,038
Exploration and evaluation expense (note 4)	**4,224**	139	**7,701**	910
Abandonment and reclamation costs	**(31)**	–	**(31)**	–
	6,218	6,061	**19,521**	18,033
Change in non-cash working capital (note 10)	**(1,190)**	2,758	**(3,563)**	2,072
	5,028	8,819	**15,958**	20,105
Financing activities				
Change in bank debt	**1,973**	1,125	**9,462**	(11,688)
Dividends paid	**(3,588)**	(3,528)	**(10,666)**	(9,917)
Issuance of share capital	**–**	79	**222**	19,724
Share issuance costs	**–**	–	**–**	(1,119)
	(1,615)	(2,324)	**(982)**	(3,000)
Investing activities				
Property and equipment expenditures, net of dispositions	**(3,465)**	(6,024)	**(14,037)**	(15,491)
Exploration and evaluation expenditures, net of dispositions	**(66)**	(220)	**(131)**	(806)
Changes in non-cash working capital (note 10)	**125**	(258)	**(787)**	(787)
	(3,406)	(6,502)	**(14,955)**	(17,084)
Foreign exchange gain on cash and cash equivalents held in foreign currency	**(7)**	7	**(21)**	(21)
Change in cash and cash equivalents	**–**	–	**–**	–
Cash and cash equivalents – beginning of period	**–**	–	**–**	–
Cash and cash equivalents – end of period	**–**	–	**–**	–
Interest Paid	**300**	316	**907**	856

See accompanying notes to the condensed interim financial statements.

1 REPORTING ENTITY

Granite Oil Corp. ("Granite" or the "Company") is a publicly traded company incorporated under the laws of Alberta. The Company is principally engaged in the exploration for and exploitation, development and production of oil and natural gas, and conducts some of its activities jointly with others. These condensed interim financial statements reflect only the Company's interests in such activities. Granite is registered and domiciled in Canada. Its main office is at 3230, 308 Fourth Avenue S.W., Calgary, Alberta, T2P 0H7.

2 BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim financial statements for the three and nine months ended September 30, 2017 were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB).

The condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016.

These financial statements were authorized for issuance by the Board of Directors on November 9, 2017.

(b) Basis of Measurement

The condensed interim financial statements of Granite were prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value. The methods used to measure fair values are discussed in note 11.

(c) Use of Estimates and Judgements

Significant estimates and judgements made by management in the preparation of these condensed interim financial statements remain unchanged and are outlined in Note 2 of the December 31, 2016 audited annual financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Current Accounting Policies

The Company's accounting policies are described in Note 3 of the December 31, 2016 audited annual financial statements. Those accounting policies have been applied consistently to all periods presented in these condensed interim financial statements. Certain comparative amounts were reclassified to conform with the current period's presentation.

(b) Future Accounting Policy Changes

In July 2014, IFRS 9 "Financial Instruments" was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets, including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company is evaluating the impact of this standard on the financial statements and does not anticipate material changes to the valuation of its financial assets.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". It replaces existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective

application of this standard is currently effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company has commenced the process of identifying and reviewing sales contracts to determine the extent of the impact, if any, that this standard will have on the financial statements as well as any additional disclosures required.

In January 2016, IFRS 16 "Leases" was issued and replaces IAS 17. The standard is required to be adopted either retrospectively or by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been adopted. The Company is currently identifying contracts that will be identified as leases and evaluating the impact of the standard on the financial statements.

4 EXPLORATION AND EVALUATION ASSETS

($000s)	**Nine Months Ended September 30, 2017**	Year Ended December 31, 2016
Balance – beginning of period	**36,889**	37,463
Additions	**355**	1,257
Transfers to property and equipment (note 5)	**(69)**	(345)
E&E expenses	–	(199)
Lease expiries	**(7,701)**	(1,287)
Balance – end of period	**29,474**	36,889

E&E assets consist of the Company's exploration projects that are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the year.

During the nine month period ended September 30, 2017, the Company did not expense any preliminary drilling costs related to the preparation of contingent locations (year ended December 31, 2016 - $0.2 million) and expensed $7.7 million related to lease expiries on undeveloped land (year ended December 31, 2016 – $1.3 million).

During the nine month period ended September 30, 2017, approximately $0.09 million of directly attributable general and administrative expense and $0.2 million of directly attributable share-based compensation expense were capitalized as expenditures on exploration and evaluation assets (year ended December 31, 2016 – $0.1 million and $0.3 million, respectively).

5 PROPERTY AND EQUIPMENT

($000s)	Oil and Natural Gas Properties	Office Equipment	Total
Cost			
Balance – January 1, 2016	303,489	523	304,012
Additions	22,287	11	22,298
Transfers from E&E assets (note 4)	345	–	345
Balance – December 31, 2016	**326,121**	**534**	**326,655**
Additions, net of dispositions	**15,457**	**10**	**15,467**
Transfers from E&E assets (note 4)	**69**	**–**	**69**
Balance – September 30, 2017	**341,647**	**544**	**342,191**
Accumulated depletion and depreciation			
Balance – January 1, 2016	61,789	283	62,072
Depletion and depreciation for the year	17,470	58	17,528
Balance – December 31, 2016	**79,259**	**341**	**79,600**
Depletion and depreciation for the period	**12,252**	**36**	**12,288**
Balance – September 30, 2017	**91,511**	**377**	**91,888**
Net book value			
December 31, 2016	246,862	193	247,055
September 30, 2017	**250,136**	**167**	**250,303**

(a) Capitalization of General and Administrative & Share-Based Compensation Expenses

During the nine month period ended September 30, 2017, approximately $0.4 million of directly attributable general and administrative expense and $1.7 million of directly attributable share-based compensation expense were capitalized as expenditures on property and equipment (year ended December 31, 2016 – $0.5 million and $1.9 million, respectively).

(b) Future Development Costs and Salvage Value

As at September 30, 2017, an estimated $60.1 million of future development costs associated with proved plus probable undeveloped reserves were included in the calculation of depletion and depreciation expense and an estimated $10.3 million of salvage value of production equipment was excluded (December 31, 2016 – $61.0 million and $10.3 million, respectively).

6 BANK DEBT

At September 30, 2017 and December 31, 2016, the Company had a revolving demand credit facility (the “Credit Facility”) with an authorized borrowing base of $60 million, including a $45 million extendible revolving facility and a $15 million operating facility. The Credit Facility is considered a current liability due to its terms.

Interest is charged at a rate per annum equal to the Canadian prime rate during said period plus the applicable margin, being a range of 0.50 percent to 2.50 percent, as determined by the Company’s debt to cash flow ratio (as defined by the lender). Standby fees associated with the facility are charged based on an applicable margin, being a range of 0.2 percent to 0.45 percent per annum on the undrawn portion of the facility, again based on the Company’s debt to cash flow ratio. Under the Credit Facility, the Company is required to maintain a current ratio of not less than 1:1. The current ratio is calculated as current assets (excluding derivative financial instruments) plus any undrawn availability in the Credit Facility versus current liabilities (excluding derivative financial instruments and any amounts outstanding in the Credit Facility). At September 30, 2017, the Company was in compliance with the current ratio requirement.

At September 30, 2017, $37.4 million was drawn against this facility (December 31, 2016 – $27.9 million). The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. The borrowing base of the credit facility is subject to review at least semi-annually, and is currently underway. A decrease in the borrowing base could result in a reduction to the credit facility. Collateral for this facility consists of a general security agreement, providing a security interest over all present and subsequently acquired personal property and a floating charge on all present and subsequently acquired land interests of the Company.

7 DECOMMISSIONING LIABILITIES

The Company has estimated the net present value of decommissioning obligations to be $13.3 million as at September 30, 2017 (December 31, 2016 – $13.3 million) based on an undiscounted total future liability of $19.4 million (December 31, 2016 – $18.6 million). These payments are expected to be incurred over a period of one to 20 years with the majority of costs to be incurred between 2028 and 2033. At September 30, 2017, a risk-free rate of 2.50 percent (December 31, 2016 – 2.25 percent) and an inflation rate of 2.00 percent (December 31, 2016 – 2.00 percent) were used to calculate the net present value of the decommissioning liabilities.

($000s)	**Nine Months Ended September 30, 2017**	Year Ended December 31, 2016
Balance – Beginning of Period	**13,307**	13,349
Liabilities incurred	**501**	638
Revisions	**(734)**	(950)
Settlements	**(31)**	(34)
Accretion of decommissioning liabilities	**234**	304
Balance – End of Period	**13,277**	13,307

8 SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares, no par value.

Unlimited number of preferred shares, no par value, issuable in series.

(b) Issued – Common Shares

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
	(#)	*($000s)*	*(#)*	*($000s)*
Balance – Beginning of Period	**33,671,637**	**411,036**	30,355,024	388,949
Common shares issued (i)	**–**	**–**	2,324,300	16,503
Flow-through shares issued (ii)	**–**	**–**	330,000	3,003
Premium on flow-through shares (ii)	**–**	**–**	–	(578)
Exercise of options (iii)	**51,087**	**278**	120,117	489
Issued on vesting of share incentives (Note 9b)	**467,928**	**2,577**	542,196	3,478
Share issuance costs	**–**	**–**	–	(1,106)
Tax benefit of share issuance costs	**–**	**–**	–	298
Balance – End of Period	**34,190,652**	**413,891**	33,671,637	411,036

i) Common Share Issuance

In June 2016, the Company issued 2,324,300 common shares pursuant to a public offering for total gross proceeds of $16.5 million ($15.4 million net of share issuance costs), including 211,300 common shares issued pursuant to the exercise of an over-allotment held by the underwriters.

ii) Flow-Through Share Issuance

In May 2016, the Company issued 330,000 flow-through shares for total gross proceeds of $3.0 million. The implied premium on the flow-through shares of $1.75 per share or $0.6 million was recorded as a liability on the statement of financial position. The Company has $3.0 million in required qualifying exploration expenditures to be incurred by December 31, 2017.

iii) Exercising of Options

During the nine months ended September 30, 2017, 51,087 options were exercised with a weighted average exercise price of $4.34 per share for total cash proceeds of $0.2 million and previously recognized share-based compensation expense of $0.06 million.

During the year ended December 31, 2016, 120,117 options were exercised with a weighted average exercise price of $3.43 per share for total cash proceeds of $0.4 million and previously recognized share-based compensation expense of $0.08 million.

(c) Per Share Amounts

Per share amounts were calculated on the weighted-average number of shares outstanding. The basic and diluted shares outstanding were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
Net income (loss) for the period	**(2,996)**	1,052	**(612)**	(6,216)
Weighted-average number of common shares	*(#)*	*(#)*	*(#)*	*(#)*
– basic	**34,171**	33,598	**33,723**	31,942
– diluted	**34,171**	33,922	**33,723**	31,942
Net income (loss) per weighted average common share	*($)*	*($)*	*($)*	*($)*
– basic	**(0.09)**	0.03	**(0.02)**	(0.19)
– diluted	**(0.09)**	0.03	**(0.02)**	(0.19)

For the three months ended September 30, 2016, 323,688 options, PBAs and TBAs were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

9 SHARE- BASED COMPENSATION

(a) Replacement Stock Options

The number and weighted-average exercise prices of replacement stock options are as follows:

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
	(#)	*($)*	*(#)*	*($)*
Outstanding – Beginning of Period	**71,720**	**4.83**	194,486	3.96
Exercised	**(51,087)**	**4.34**	(120,117)	3.43
Forfeited	**(7,968)**	**4.88**	(2,649)	4.10
Outstanding – Period End	**12,665**	**6.78**	71,720	4.83
Exercisable – Period End	**12,665**	**6.78**	67,054	4.70

Exercise Price	Weighted Average Contractual Outstanding	Remaining Option Life	Average Exercisable
($)	*(#)*	*(years)*	*(#)*
As at September 30, 2017			
6.00 – 6.99	**12,665**	**0.20**	**12,665**

Gross share-based compensation for the options was $nil for both the three and nine months ended September 30, 2017 (three months ended September 30, 2016 - $nil, nine months ended September 30, 2016 - $0.03 million).

(b) Share Incentive Plan

The Company's Share Incentive Plan ("SIP") consists of performance based awards (PBAs) and time based awards (TBAs). Both the TBAs and the PBAs vest one third on each of the first, second and third anniversaries of the grant date. The PBAs granted are subject to a performance multiplier ranging from 0 to 2. The payout multiplier is dependent on the performance of Granite at the end of the vesting period relative to corporate performance measures determined at the discretion of Granite's Board of Directors. The number of common shares issued for each PBA and TBA granted is adjusted for the payments of dividends from the date of the grant to the payment date. On the payment date, Granite has sole and absolute discretion to settle the awards in the form of either cash or common shares, or some combination thereof.

The number of PBAs is as follows:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
	PBAs	PBAs
	(#)	*(#)*
Outstanding – Beginning of Period	**956,902**	829,103
Issued	**411,739**	656,250
Redeemed	**(238,214)**	(276,367)
Forfeited	**(22,730)**	(252,084)
Outstanding – End of Period	**1,107,697**	956,902

The fair value of the PBAs is determined at the grant date using the binomial option-pricing model, multiplied by the estimated performance multiplier. During the nine month period ended September 30, 2017, 411,739 PBAs were granted and 238,214 were redeemed for 446,381 common shares reflecting the effect of the performance multiplier as well as accumulated dividends. During the year ended December 31, 2016, 276,367 PBAs were redeemed for 503,565 common shares reflecting the effect of the performance multiplier and adjustment for dividends from the date of the original grant to the payment date. A performance multiplier of 1.5 has been assumed for PBAs outstanding at September 30, 2017 and December 31, 2016. Fluctuations in share based compensation expense may occur due to changes in estimates of performance outcomes.

The following weighted average assumptions were used to value the PBAs granted:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Forfeiture rate *(%)*	**2**	2
Risk-free interest rate *(%)*	**0.83**	0.55
Expected life *(years)*	**2.00**	2.00
Expected volatility *(%)*	**43**	48
Expected dividend yield *(%)*	**6**	6
Weighted-average fair value of PBAs granted during the period *($/award)*	**4.96**	5.98

Gross share-based compensation related to PBAs was $1.1 million for the three months ended September 30, 2017 (three months ended September 30, 2016 - $0.9 million). Of this amount, $0.5 million was capitalized (three months ended September 30, 2016 – $0.4 million), resulting in total net share-based compensation expense related to PBAs of $0.6 million for the quarter (three months ended September 30, 2016 - $0.5 million).

Gross share-based compensation related to PBAs was $3.8 million for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $4.4 million). Of this amount, $1.8 million was capitalized (nine months ended September 30, 2016 – $1.6 million), resulting in total net share-based compensation expense related to PBAs of $2.0 million for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $2.8 million).

The number of TBAs is as follows:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
	TBAs	TBAs
	(#)	*(#)*
Outstanding – Beginning of Period	**78,094**	115,892
Issued	–	43,750
Redeemed	**(21,547)**	(38,631)
Forfeited	–	(42,917)
Outstanding – End of Period	**56,547**	78,094

The fair value of the TBAs is determined at the grant date using the binomial option-pricing model. During the nine months ended September 30, 2017, 21,547 TBAs were redeemed for 21,547 common shares.

Gross share-based compensation related to TBAs was $0.04 million for the three months ended September 30, 2017 (three months ended September 30, 2016 - $0.08 million). Of this amount, $0.01 million was capitalized (three months ended September 30, 2016 – $0.03 million), resulting in total net share-based compensation expense related to TBAs of $0.03 million for the quarter (three months ended September 30, 2016 - $0.05 million).

Gross share-based compensation related to TBAs was $0.2 million for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $0.4 million). Of this amount, $0.05 million was capitalized (nine months ended September 30, 2016 – $0.2 million), resulting in total net share-based compensation expense related to TBAs of $0.1 million for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $0.2 million).

10 SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are comprised of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
($000s)				
Accounts receivable	**(538)**	2,536	**(238)**	5,063
Deposits and prepaid expenses	**75**	626	**(24)**	287
Accounts payable and accrued liabilities	**(602)**	(662)	**(4,088)**	(4,065)
	(1,065)	2,500	**(4,350)**	1,285
Related to operating activities	**(1,190)**	2,758	**(3,563)**	2,072
Related to investing activities	**125**	(258)	**(787)**	(787)
	(1,065)	2,500	**(4,350)**	1,285

11 DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Granite classifies the fair value of these transactions according to the following hierarchy based on the nature of the observable inputs used to value the instrument.

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

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

c. Level 3 – Valuations are derived from inputs that are not based on observable market data.

(a) Property and Equipment and E&E Assets

The fair value of property and equipment recognized in a business combination is based on market values. The market value of property and equipment is the estimated amount for which property and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of petroleum and natural gas properties (included in property and equipment) and E&E assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value of other items of property and equipment is based on the quoted market prices for similar items.

(b) Accounts Receivable, Bank Debt, Accounts Payable and Accrued Liabilities and Dividend Payable

The fair value of accounts receivable, bank debt, accounts payable and accrued liabilities and dividend payable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of these balances approximated their carrying value at September 30, 2017 due to their short term to maturity.

(c) Stock Options

The fair value of stock options is measured using the Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted- average historical volatility adjusted for changes expected due to publicly available information), weighted-average expected life of the instruments (based on historical experience and general option-holder behaviour) and the risk- free interest rate (based on Government of Canada bonds).

(d) Performance Based Awards and Time Based Awards

The fair value of awards granted under the SIP is measured using the binomial model. Measurement inputs include share price on measurement date, expected volatility (based on weighted-average historical volatility), weighted-average expected life of the instruments (based on the terms of the agreement) and the risk-free interest rate (based on Government of Canada bonds) and performance multiplier (based on expected multiplier at date of settlement).

(e) Derivative Financial Instruments

Granite classifies the fair value measurement of the derivative financial instruments as Level 2 based on the nature of the observable inputs used to value the instrument.

As at September 30, 2017, the Company had the following crude oil risk management contracts, with a short term mark-to-market current asset of $0.02 million and a long term mark-to-market liability if $0.07 million. (December 31, 2016 – $2.9 million current liability).

CRUDE OIL CONTRACTS

Remaining Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value Asset (Liability) (000s)
Oct. 1/17 – Dec. 31/17	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US $53.00/bbl	USD $47
Oct. 1/17 – Dec. 31/17	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US $52.50/bbl	USD $32
Oct. 1/17 – Dec. 31/17	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US $51.20/bbl	CAD $(10)
Jan. 1/18 – Jun. 30/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $48.90/bbl	CAD $(72)
Jan. 1/18 – Dec. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $49.00/bbl	USD $(103)
Jan. 1/18 – Dec. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $50.00/bbl	USD $(67)
Jan. 1/18 – Dec. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $50.50/bbl	USD $(49)
Jan. 1/18 – Dec. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $52.00/bbl	USD $5

FOREIGN EXCHANGE CONTRACTS

Remaining Period	Currency	Type of Contract	Quantity	Strike Price	Fair Value Asset (Liability) (000s)
Oct. 1/17 – Dec. 31/17	US$	Average Rate Forward	US $400,000	1.3633 (CAD/USD)	USD $111
Oct. 1/17 – Dec. 31/17	US$	Average Rate Forward	US $200,000	1.3551 (CAD/USD)	USD $52

Subsequent to September 30, 2017, the Company entered into the following Crude Oil Contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Jan. 1/18 – Mar. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $54.00/bbl
Jan. 1/18 – Mar. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $55.00/bbl
Jan. 1/18 – Mar. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $55.00/bbl
Jan. 1/18 – Mar. 31/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $57.29/bbl
Jan. 1/18 – Jun. 30/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $51.60/bbl
Jan. 1/18 – Jun. 30/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $52.45/bbl
Apr.1/18 – Jun. 30/18	Crude Oil	Fixed	100 bbls/d	WTI-NYMEX	US $56.55/bbl
Jul. 1/18 – Dec. 31/18	Crude Oil	Fixed	200 bbls/d	WTI-NYMEX	US $55.45/bbl
Jul. 1/18 – Dec. 31/18	Crude Oil	Fixed	200 bbls/d	WTI-NYMEX	US $55.40/bbl

12 COMMITMENTS

Years Ended December 31,	2017	2018	2019	2020	
($000s)					
Operating lease – office	54	218	218	218	708
Total commitments	54	218	218	218	708

As at September 30, 2017, the Company had contractual obligations for its office lease totaling approximately $0.7 million to July 2020. The office lease obligations are comprised of the lease payments and an estimate of occupancy costs of the Company's head office space.

In connection with the Company's issuance of flow-through shares during the second quarter of 2016, Granite is required to incur $3.0 million on eligible exploration expenditures by December 31, 2017.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Brendan Carrigy
Chairman
Independent Businessman

Michael Kabanuk
President & Chief Executive Officer
Granite Oil Corp.

Martin Cheyne
Chief Executive Officer
Boulder Energy Ltd.

Henry Hamm (3)(4)
Independent Businessman

Kathy Turgeon (1)(3)(4)
Chief Financial Officer
Peyto Exploration

Brad Porter (1)(2)(4)
Independent Businessman

Kevin Andrus (1)(2)(3)
Portfolio Manager of
Energy Investments
GMT Capital Corp.

(1) Audit Committee Member
(2) Reserves Committee Member
(3) Corporate Governance & Compensation Committee Member
(4) Nominating Committee Member

OFFICERS

Michael Kabanuk
President & Chief Executive Officer

Gail Hannon
Chief Financial Officer

Tyler Klatt
Vice President, Exploration

Daniel Kenney
Corporate Secretary

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EVALUATION ENGINEERS

Sproule Associates Limited
Calgary, Alberta

LEGAL COUNSEL

DLA Piper (Canada) LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

CST Trust Company
Calgary, Alberta

STOCK TRADING

Toronto Stock Exchange
Trading Symbol: GXO

OTCQX
Trading Symbol: GXOCF