

STANDARD EXPLORATION LTD.

Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

(unaudited)

NOTICE OF DISCLOSURE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Standard Exploration Ltd.

Condensed Interim Statements of Financial Position

(amounts in Canadian dollars)

| | Notes | September 30, 2017 (unaudited) | December 31, 2016 |
|--|----------|--------------------------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 948,945 | \$ 603,637 |
| Accounts receivable | 4(c) | 72,817 | 131,905 |
| Deposits and prepaid expenses | 16 | 112,605 | 123,098 |
| Total current assets | | 1,134,367 | 858,640 |
| Exploration and evaluation assets | 6 | - | - |
| Property and equipment | 7 | 2,696,954 | 3,616,303 |
| Total assets | | \$ 3,831,321 | \$ 4,474,943 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 4(d), 17 | \$ 202,717 | \$ 193,480 |
| Total current liabilities | | 202,717 | 193,480 |
| Decommissioning provisions | 8 | 1,137,107 | 1,268,533 |
| Total liabilities | | 1,339,824 | 1,462,013 |
| Shareholders' Equity | | | |
| Share capital | 10 | 15,922,585 | 15,922,585 |
| Contributed surplus | | 3,882,891 | 3,878,166 |
| Deficit | | (17,313,979) | (16,787,821) |
| Total shareholders' equity | | 2,491,497 | 3,012,930 |
| Total liabilities and shareholders' equity | | \$ 3,831,321 | \$ 4,474,943 |
| Contingency | 4(d) | | |
| Commitments | 16 | | |

See accompanying notes to the unaudited condensed interim financial statements.

Approved by the Board of Directors,
(signed)
"Tom MacKay"
Director

(signed)
"David Richards"
Director

Standard Exploration Ltd.

Condensed Interim Statements of Loss and Comprehensive Loss

Three and Nine Months Ended September 30, 2017 and 2016

(amounts in Canadian dollars)

(unaudited)

| | Notes | Three Months Ended | | Nine Month Ended | |
|---|-------|--------------------|--------------------|--------------------|--------------------|
| | | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |
| Revenue | | | | | |
| Petroleum and natural gas sales, net of royalties | 12 | \$ 167,693 | \$ 209,997 | \$ 575,369 | \$ 577,071 |
| Expenses | | | | | |
| Exploration and evaluation | 6 | 10,986 | 23,218 | 26,488 | 44,120 |
| Production and operating | | 51,750 | 55,027 | 169,543 | 206,571 |
| Transportation | | 11,700 | 16,279 | 34,945 | 50,016 |
| Depletion and depreciation | 7 | 90,223 | 121,646 | 291,593 | 376,454 |
| General and administrative | 15,17 | 176,076 | 149,773 | 466,920 | 453,441 |
| Stock-based compensation | 11(b) | - | 7,087 | 4,725 | 36,743 |
| Total expenses | | 340,735 | 373,030 | 994,214 | 1,167,345 |
| Loss before the following: | | (173,042) | (163,033) | (418,845) | (590,274) |
| Net finance loss | 13 | (1,586) | (3,134) | (6,654) | (9,571) |
| Loss on disposition | 7 | - | - | (100,659) | - |
| Loss before income taxes | | (174,628) | (166,167) | (526,158) | (599,845) |
| Deferred income tax recovery | 9 | - | - | - | - |
| Loss and comprehensive loss for the period | | \$ (174,628) | \$ (166,167) | \$ (526,158) | \$ (599,845) |
| Loss per share | | | | | |
| Basic and diluted | 14 | (\$0.00) | (\$0.00) | (\$0.00) | (\$0.00) |

See accompanying notes to the unaudited condensed interim financial statements.

Standard Exploration Ltd.

Condensed Interim Statements of Changes in Shareholders' Equity

(amounts in Canadian dollars)

(unaudited)

| | Notes | Number of Shares | Share Capital Stated Value | Contributed Surplus | Deficit | Total Shareholders' Equity |
|--|-------|---------------------|----------------------------------|------------------------|-----------------------|----------------------------------|
| Balance at January 1, 2016 | | 121,234,854 | \$ 15,922,585 | \$ 3,834,334 | \$(13,753,368) | \$ 6,003,551 |
| Stock-based compensation related to stock options | 12 | - | - | 36,743 | - | 36,743 |
| Net loss for the period | | - | - | - | (599,845) | (599,845) |
| Balance at September 30, 2016 | | 121,234,854 | \$ 15,922,585 | \$ 3,871,077 | \$(14,353,213) | \$ 5,440,449 |
| Stock-based compensation related to stock options | 12 | - | - | 7,089 | - | 7,089 |
| Net loss for the period | | - | - | - | (2,434,608) | (2,434,608) |
| Balance at December 31, 2016 | | 121,234,854 | \$ 15,922,585 | \$ 3,878,166 | \$(16,787,821) | \$ 3,012,930 |
| Stock-based compensation related to stock options | 12 | - | - | 4,725 | - | 4,725 |
| Net loss for the period | | - | - | - | (526,158) | (526,158) |
| Balance at September 30, 2017 | | 121,234,854 | \$ 15,922,585 | \$ 3,882,891 | \$(17,313,979) | \$ 2,491,497 |

See accompanying notes to the unaudited condensed interim financial statements.

Standard Exploration Ltd.

Condensed Interim Statements of Cash Flows

Three and Nine Months Ended September 30, 2017 and 2016

(amounts in Canadian dollars)

(unaudited)

| | Notes | Three Months Ended September 30, 2017 | September 30, 2016 | Nine Months Ended September 30, 2017 | September 30, 2016 |
|---|-------|---|-----------------------|--|-----------------------|
| Cash and cash equivalents provided by (used in): | | | | | |
| Operating activities | | | | | |
| Loss for the period | | \$ (174,628) | \$ (166,167) | \$ (526,158) | \$ (599,845) |
| Adjustments for: | | | | | |
| Depletion and depreciation | | 90,223 | 121,646 | 291,593 | 376,454 |
| Stock-based compensation | | - | 7,087 | 4,725 | 36,743 |
| Net finance loss | | 1,586 | 3,134 | 6,654 | 9,571 |
| Loss on disposition | 7 | - | - | 100,659 | - |
| Cash decommissioning expenditures | | (4,098) | (3,095) | (5,129) | (24,294) |
| Changes in non-cash working capital | 5 | (506) | (20,914) | 78,818 | 11,849 |
| Net cash from (used in) operating activities | | (87,423) | (58,309) | (48,838) | (189,522) |
| Investing activities | | | | | |
| Additions to exploration and evaluation assets | | - | - | - | - |
| Disposition of property and equipment | 7 | - | - | 390,000 | - |
| Changes in non-cash working capital | 5 | - | - | - | - |
| Net cash used in investing activities | | - | - | 390,000 | - |
| Financing activities | | | | | |
| Interest received | | 1,914 | 1,409 | 4,146 | 4,058 |
| Interest paid | | - | - | - | - |
| Changes in non-cash working capital | 5 | - | - | - | (795) |
| Net cash from financing activities | | 1,914 | 1,409 | 4,146 | 3,263 |
| Change in cash and cash equivalents | | 85,509 | (56,900) | 345,308 | (186,259) |
| Cash and cash equivalents, beginning of period | | 1,034,454 | 760,228 | 603,637 | 889,587 |
| Cash and cash equivalents, end of period | | \$ 948,945 | \$ 703,328 | \$948,945 | \$ 703,328 |

See accompanying notes to the unaudited condensed interim financial statements.

Standard Exploration Ltd.
Notes to the Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2017 and 2016
(amounts in Canadian dollars)
(*unaudited*)

1. General business description

Standard Exploration Ltd. ("Standard" or the "Corporation") is engaged in the exploration for, development of and production of petroleum and natural gas in Alberta. The Corporation is a publicly traded company, incorporated and domiciled in Canada. The address of business of the Corporation is 100, 718 – 15th Avenue SW, Calgary, Alberta, Canada, T2R 0R6.

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2016 and 2015, except as outlined below. They have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the annual financial statements. The condensed interim financial statements should be read in conjunction with the Corporation's annual audited financial statements for the year ended December 31, 2016 and 2015.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on November 28, 2017.

3. Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the Corporation's audited financial statements for the year ended December 31, 2016 and 2015 except as noted below:

Future accounting pronouncements:

The following are future accounting pronouncements that may impact the Corporation's financial statements:

- *IFRS 9, "Financial Instruments" ("IFRS 9")* provides a comprehensive new standard for accounting for all aspects of financial instruments. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

Requirements for financial liabilities were added to IFRS 9 whereby the fair value option requires different accounting for changes to the fair value of a financial liability resulting from changes to an entity's own credit risk.

Standard Exploration Ltd.

Notes to the Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2017 and 2016

(amounts in Canadian dollars)

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IFRS 9 introduces a single, forward-looking 'expected loss' impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and is available for earlier adoption. The Corporation is in the process of evaluating the impact that IFRS 9 may have on the Corporation's financial statements.

- *IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")* provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 15 may have on the Corporation's financial statements.
- *IFRS 16, "Leases" ("IFRS 16")*. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases on low-value assets are exempt from the requirement, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019 and is to be applied retrospectively. The Corporation has not determined the impact of the new standard on its financial statements.

4. Financial instruments and risk management

(a) Risk management overview

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer the strategies and monitor these risks.

(b) Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of those instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, which can be substantially observed or corroborated in the marketplace. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

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(amounts in Canadian dollars)
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Cash and cash equivalents are measured at fair value based on a Level 1 designation.

(c) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash and cash equivalents

The Corporation manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Accounts receivable

Substantially all of the Corporation's accounts receivable are due from purchasers of the Corporation's petroleum and natural gas production, joint interest partners and government agencies, and are subject to normal industry credit risk.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of the Corporation believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partners. The Corporation attempts to mitigate the risk from joint interest receivables by obtaining partner approval of significant capital expenditures prior to expenditure and, in certain circumstances, may elect to cash call a joint interest partner in advance of the work. However, the receivables are from participants in the oil and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalation costs and the risk of unsuccessful drilling. The Corporation does not typically obtain collateral from oil and natural gas marketers or joint interest partners, however, the Corporation does have the ability to withhold production from joint interest partners in the event of non-payment.

Receivables from petroleum and natural gas marketers are generally collected on the 25th day of the month following production and sale. Management of the Corporation believes the risk is mitigated by the size and reputation of the companies to which they extend credit. During 2017 and 2016, the Corporation has not experienced any collection issues with its marketers.

During the nine month period ended September 30, 2017 and year ended December 31, 2016, the Corporation sold a substantial portion of its production to two marketers. Sales to these customers aggregated approximately \$0.65 million or 100% (year ended December 31, 2016 - \$0.93 million or 100%) of total petroleum and natural gas sales. At September 30, 2017, amounts due from these customers included in accounts receivable totalled \$59,255 (December 31, 2016 - \$110,412).

Standard Exploration Ltd.
Notes to the Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2017 and 2016
(amounts in Canadian dollars)
(unaudited)

As at September 30, 2017 and December 31, 2016, the Corporation's accounts receivable were comprised of the following:

| | September 30, 2017 | December 31, 2016 |
|---------------------------------|-------------------------------|------------------------------|
| Petroleum and natural gas sales | \$ 59,255 | \$ 110,412 |
| Joint interest partners | 375 | 920 |
| GST | 12,844 | 12,743 |
| Other | 343 | 7,830 |
| | \$ 72,817 | \$ 131,905 |
| 0 to 30 days | \$ 59,598 | \$ 90,616 |
| 31 to 60 days | - | 21,003 |
| 61 to 90 days | - | - |
| Greater than 90 days | 13,219 | 20,286 |
| | \$ 72,817 | \$ 131,905 |

The Corporation considers amounts greater than 90 days past due and establishes an allowance for doubtful accounts based on management's assessment of collection. Therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. There were no receivables allowed for or written off during the nine month period ended September 30, 2017 or year ended December 31, 2016.

Deposits

Deposits are held by government agencies and as such, the exposure to credit risk is minimal.

d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due by balancing capital and operating expenditures with available cash flow. The Corporation's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economic downturn.

The Corporation expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future equity and debt financings.

Accounts payable and accrued liabilities

The Corporation's trade accounts payable are normally due within 30 to 60 days from the date of invoice.

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(amounts in Canadian dollars)
(unaudited)

The Corporation's accounts payable and accrued liabilities as at September 30, 2017 and December 31, 2016 are comprised of the following:

| | September 30, 2017 | December 31, 2016 |
|----------------------------|-------------------------------|------------------------------|
| Capital expenditures | \$ 5,284 | \$ 3,736 |
| General and administrative | 21,106 | 41,502 |
| Operating | 146,362 | 114,292 |
| Other | 29,965 | 33,950 |
| | \$ 202,717 | \$ 193,480 |
| 0 to 30 days | \$ 816 | \$ 45,245 |
| 31 to 60 days | 10,505 | 19,352 |
| 61 to 90 days | 41,548 | 9,279 |
| Greater than 90 days | 149,848 | 119,604 |
| | \$ 202,717 | \$ 193,480 |

A portion of the Corporation's accounts payable balances greater than 90 days are in dispute.

During the year ended December 31, 2015, the Corporation reduced their estimate of the liability relating to the fair value of the Standard common shares and reimbursement of estimated legal fees offered to Canadian Energy Exploration Inc. ("CEEI"), a shareholder who exercised dissent rights relating to the Corporation's acquisition of CEEI shares in 2012 by \$45,000 which has been included in finance income on the statement of loss and comprehensive loss as at December 31, 2015. At September 30, 2017 and December 31, 2016, the estimated liability included in accounts payable and accrued liabilities is \$29,965. The Corporation and CEEI amalgamated on January 1, 2013. During 2015, the shareholder who exercised his dissent rights filed an application in the Court of Queen's Bench of Alberta to fix the fair value of the dissenting shareholder's shares in CEEI. The Corporation and its legal counsel are in the process of resolving the matter through the courts. On March 4, 2016, Standard served the shareholder with a Formal Offer to Settle for 937,032 common shares of Standard and reimbursement of legal fees up to \$20,000. The shareholder did not respond and the Formal Offer expired on May 4, 2016.

(e) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation's net income (loss) or the value of financial instruments and relate to risks that are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Market risks are as follows:

Foreign currency risk

Prices for petroleum are determined in global markets and generally denominated in United States dollars. Natural gas prices obtained by the Corporation will be influenced by both U.S. and Canadian demand and the corresponding North American supply, and by imports of liquefied natural gas. An increase (decrease) in the value of the Canadian dollar relative to the U.S. dollar will decrease (increase) the revenues received from the sale of petroleum and natural gas

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commodities. The impact of such exchange rate fluctuations cannot be accurately quantified.

As at and for the nine month period ended September 30, 2017 and year ended December 31, 2016, the Corporation had no forward foreign exchange contracts in place nor any working capital items denominated in foreign currencies.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate cash flow risk as its cash deposits bear interest at variable rates.

Commodity price risk

The Corporation is exposed to fluctuations in commodity prices for crude oil, natural gas, and natural gas liquids. Commodity prices are affected by many factors including supply, North American and World demand, foreign exchange rates, weather patterns and geo-political influences. The Corporation currently does not use financial hedges to manage the Corporation's exposure to commodity price fluctuations and therefore has no related financial instruments.

(f) Capital management

The Corporation's capital management policy is to maintain a strong capital base that optimizes the Corporation's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Corporation maintains a flexible capital structure to maximize its ability to pursue petroleum and natural gas exploration and acquisition opportunities and sustain the future development of the business. The Corporation monitors the level of risk associated for each capital project to balance the proportion of debt and equity in its capital structure. The Corporation's officers are responsible for managing the Corporation's capital and do so through quarterly meetings and regular reviews of financial information. The Corporation's directors are responsible for overseeing this process. The Corporation considers its capital structure to include working capital.

The Corporation monitors its capital based on projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Corporation prepares annual capital expenditure and operating budgets, which are updated as necessary. The annual and updated budgets are prepared by the Corporation's management and approved by or reviewed with the Corporation's Board of Directors. The budget results are regularly reviewed and updated as required.

In order to maintain or adjust the capital structure, the Corporation may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Corporation's ability to raise additional debt or equity financing is impacted by external conditions, including future commodity prices and global economic conditions. The Corporation continually monitors business conditions including changes in economic conditions, the risk of its drilling programs, forecasted commodity prices, and potential corporate or asset acquisitions.

Standard Exploration Ltd.

Notes to the Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2017 and 2016

(amounts in Canadian dollars)

(unaudited)

The Corporation's defined capital as at September 30, 2017 and December 31, 2016 is as follows:

| | September 30, 2017 | December 31, 2016 |
|------------------------|---------------------------|--------------------------|
| Current assets | \$ 1,134,367 | \$ 858,640 |
| Current liabilities | (202,717) | (193,480) |
| Working capital | \$ 931,650 | \$ 665,160 |

The Corporation is not required to meet any financial covenants and is not subject to any other externally imposed capital requirements. There has been no change to management's approach to managing capital during the nine month period ended September 30, 2017 and year ended December 31, 2016.

5. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

| | Nine Months Ended September 30, 2017 | Year Ended December 31, 2016 |
|--|---|---|
| Sources (uses) of cash: | | |
| Accounts receivable | \$ 59,088 | \$ (29,879) |
| Deposits and prepaid expenses | 10,493 | 1,118 |
| Accounts payable and accrued liabilities | 9,237 | (131,797) |
| | \$ 78,818 | \$ (160,558) |
| Related to operating activities | \$ 78,818 | \$ (159,763) |
| Related to investing activities | - | - |
| Related to financing activities | - | (795) |
| | \$ 78,818 | \$ (160,558) |

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Notes to the Condensed Interim Financial Statements
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(amounts in Canadian dollars)
(*unaudited*)

6. Exploration and evaluation assets and expenses

| | |
|---|--------------|
| Balance at December 31, 2015 | \$ 2,382,863 |
| Impairment | (2,382,863) |
| Balance at December 31, 2016 and September 30, 2017 | \$ - |

During the year ended December 31, 2016, transfers to exploration and evaluation expenses included a \$2,382,863 impairment charge related to drilling costs on a well in the Reagan area, having a recoverable amount of \$Nil, as there are no substantive expenditures or further exploration budgeted or planned for the well.

Exploration and evaluation expenses during the nine month period ended September 30, 2017 included land costs of \$13,242 and drilling costs of \$13,246 (year ended December 31, 2016 included land costs of \$41,725 and drilling costs of \$38,059).

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(amounts in Canadian dollars)
(unaudited)

7. Property and equipment

| | Petroleum and natural gas interests | Well and production equipment and facilities | Corporate and other | Total |
|---|---|---|------------------------|----------------|
| Cost | | | | |
| Balance at December 31, 2015 | \$ 7,509,708 | \$ 2,638,272 | \$ 41,965 | \$ 10,189,945 |
| Additions | - | - | - | - |
| Decommissioning provisions | (49,878) | - | - | (49,878) |
| Balance at December 31, 2016 | \$ 7,459,830 | \$ 2,638,272 | \$ 41,965 | \$ 10,140,067 |
| Dispositions | (502,205) | (125,551) | - | (627,756) |
| Decommissioning provisions | - | - | - | - |
| Balance at September 30, 2017 | \$ 6,957,625 | \$ 2,512,721 | \$ 41,965 | \$ 9,512,311 |
| Accumulated depletion and depreciation and impairments | | | | |
| Balance at December 31, 2015 | \$ (5,169,150) | \$ (821,037) | \$ (41,965) | \$ (6,032,152) |
| Depletion and depreciation | (368,709) | (122,903) | - | (491,612) |
| Balance at December 31, 2016 | \$ (5,537,859) | \$ (943,940) | \$ (41,965) | \$ (6,523,764) |
| Depletion and depreciation | (218,695) | (72,898) | - | (291,593) |
| Balance at September 30, 2017 | \$ (5,756,554) | \$ (1,016,838) | \$ (41,965) | \$ (6,815,357) |
| Net book value: | | | | |
| At December 31, 2015 | \$ 2,340,558 | \$ 1,817,235 | \$ - | \$ 4,157,793 |
| At December 31, 2016 | \$ 1,921,971 | \$ 1,694,332 | \$ - | \$ 3,616,303 |
| At September 30, 2017 | \$ 1,201,071 | \$ 1,495,883 | \$ - | \$ 2,696,954 |

The depletion and depreciation calculation for the nine month period ended September 30, 2017 and year ended December 31, 2016 included \$Nil in future development costs.

In April 2017, the Corporation disposed of its asset at Claresholm, Alberta to an arms-length private company for net cash proceeds of \$374,321. The transaction closed on April 7, 2017 with an effective date of March 1, 2017. Claresholm's net oil production averaged 9 boe/d.

At December 31, 2016, the Corporation tested its CGUs for impairment due to the volatility of commodity prices. The recoverable amount of each of the Corporation's CGUs, classified as a level 3 fair value measurement, was based on the estimated fair value less costs to sell ("FVLCTS"). The FVLCTS was determined by management based on forecasted cash flows, using a discount rate of 10%, incorporating escalated prices and future development costs. The forecasted cash flows and prices used to estimate the fair value less costs of disposal were based on those determined by the Corporation's independent reserve engineers.

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At December 31, 2016, the Corporation did not recognize an impairment loss on its CGU's.

Key assumptions in the determination of cash flows from reserves include petroleum and natural gas prices and the discount rate applied to cash flows from proved and probable reserves. For the year ended December 31, 2016, a 2.0% increase in the discount rate over the life of the reserves independently would not have resulted in an impairment loss.

The benchmark and Corporation actual forecast prices on which the December 31, 2016 impairment tests were based are as follows:

December 31, 2016

| | Oil | |
|------|---|--|
| | Benchmark Edmonton Par Cdn\$/bbl | Company Average Cdn\$/bbl |
| 2017 | 69.33 | 51.01 |
| 2018 | 72.26 | 54.42 |
| 2019 | 75.00 | 58.49 |
| 2020 | 76.36 | 60.08 |
| 2021 | 78.82 | 62.79 |
| 2022 | 82.35 | 66.23 |
| 2023 | 85.88 | 69.64 |
| 2024 | 89.41 | 73.06 |
| 2025 | 92.94 | 76.45 |
| 2026 | 95.61 | 79.60 |

The benchmark prices increase at rates of approximately 2% per year after 2026. Adjustments were made to the benchmark prices to reflect varied delivery points and quality differentials to arrive at the Corporation's expected average prices.

8. Decommissioning provisions

The Corporation's decommissioning provisions result from its ownership interest in petroleum and natural gas assets including well sites and gathering systems. The total decommissioning provision is estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provisions, before considering salvage, is approximately \$1,330,622 at September 30, 2017 (December 31, 2016 - \$1,574,208), which have been discounted using risk-free rates ranging between 0.72% to 2.25% at September 30, 2017 (December 31, 2016 - 0.76% to 2.24%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 25 years into the future and will be funded from general corporate resources at the time of abandonment.

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The following table summarizes changes in the decommissioning provisions for the periods ended September 30, 2017 and December 31, 2016:

| | September 30, 2017 | December 31, 2016 |
|--|-------------------------------|------------------------------|
| Decommissioning provisions, beginning of period | \$ 1,268,533 | \$ 1,327,657 |
| Liabilities incurred | - | - |
| Revisions to estimates | - | (49,878) |
| Liabilities settled | (5,129) | (27,420) |
| Property disposal | (137,097) | - |
| Accretion (unwinding of discount) (note 13) | 10,800 | 18,174 |
| Decommissioning provisions, end of period | \$ 1,137,107 | \$ 1,268,533 |

Changes in estimates and assumptions for the nine month period ended September 30, 2017 and year ended December 31, 2016 relates to both the change in discount rates used and revisions to abandonment and reclamation cost estimates and future abandonment dates of the Corporation's wells and facilities.

In April 2017, the Corporation disposed of its asset at Claresholm, Alberta to an arms-length private company for net cash proceeds of \$374,321. The transaction closed on April 7, 2017 with an effective date of March 1, 2017. Claresholm's net oil production averaged 9 boe/d.

During the nine month period ended September 30, 2017, the Corporation incurred \$5,129 in cash decommissioning costs at its Redwater, Alberta property (year ended December 31, 2016 - \$27,420).

9. Taxes

Non-capital tax losses of approximately \$14.5 million at September 30, 2017 will expire in future years ranging from 2023 - 2035. In addition, the Corporation has approximately \$6.35 million in resource tax pools and undepreciated capital costs and \$58,000 in undeducted share issuance costs at September 30, 2017 deductible against future taxable income for which no benefit has been recognized in the financial statements.

10. Share capital

(a) Authorized

The authorized share capital of the Corporation consists of an unlimited number of voting common shares and an unlimited number of preferred shares.

(b) Issued

| Common shares | Number of shares | Stated Value |
|-----------------------------|-----------------------------|---------------------|
| Balance, December 31, 2016 | 121,234,854 | \$ 15,922,585 |
| Balance, September 30, 2017 | 121,234,854 | \$ 15,922,585 |

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11. Stock-based compensation

(a) Stock option plan

Under the Corporation's stock option plan, the Corporation may grant options to its directors, officers, employees and consultants up to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Corporation's issued and outstanding shares reserved for any one person on a yearly basis. The maximum option term is 10 years from the grant date with vesting terms set at the discretion of the board of directors.

In July 2013, stock options were granted to directors and officers to acquire 900,000 common shares of the Corporation at an exercise price of \$0.10 per share. The options vest as to one-third immediately and one-third on each of the first and second anniversary dates.

In April 2014, stock options were granted to directors and officers to acquire 2,600,000 common shares of the Corporation at an exercise price of \$0.05 per share. The options vest as to one-third immediately and one-third on each of the first and second anniversary dates.

In February 2015, stock options were granted to directors and officers to acquire 5,000,000 common shares of the Corporation at an exercise price of \$0.05 per share. The options vest as to one-third immediately and one-third on each of the first and second anniversary dates.

The following is a summary of changes to the Corporation's stock option plan during the periods:

| | Nine months ended September 30, 2017 | | Year ended December 31, 2016 | |
|----------------------------------|---|--|---|--|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Outstanding, beginning of period | 8,500,000 | \$0.06 | 8,500,000 | \$0.06 |
| Granted | - | - | - | - |
| Outstanding at end of period | 8,500,000 | \$0.06 | 8,500,000 | \$0.06 |
| Exercisable at end of period | 8,500,000 | \$0.06 | 6,833,333 | \$0.06 |

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The following table summarizes the expiry terms of the Corporation's outstanding stock options as at September 30, 2017:

| Date of grant | Outstanding Options | Weighted Average Remaining Contractual Life (years) | Number of Stock Options Exercisable |
|----------------------|----------------------------|--|--|
| July 3, 2013 | 900,000 | 0.8 | 900,000 |
| April 1, 2014 | 2,600,000 | 1.5 | 2,600,000 |
| February 24, 2015 | 5,000,000 | 2.4 | 5,000,000 |
| | 8,500,000 | 1.9 | 8,500,000 |

(b) Stock-based compensation expense

The Corporation recorded stock-based compensation expense of \$4,725 during the nine month period ended September 30, 2017 (\$43,832 during the year ended December 31, 2016) with a corresponding increase to contributed surplus.

12. Petroleum and natural gas revenue

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---------------------------------|---|---|
| Petroleum and natural gas sales | \$ 656,552 | \$ 642,854 |
| Less: royalties | (81,183) | (65,783) |
| | \$ 575,369 | \$ 577,071 |

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13. Finance income (loss) and expenses

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|--|---|---|
| Finance income | | |
| Interest income on cash and cash equivalents | \$ 4,146 | \$ 4,058 |
| Finance expenses | | |
| Accretion of decommissioning provisions (note 8) | (10,800) | (13,629) |
| Net finance income (loss) | \$ (6,654) | \$ (9,571) |

14. Loss per share

The following table summarizes the common shares used in calculating net loss per share:

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|
| Weighted Average Common Shares Outstanding | | |
| Basic | 121,234,854 | 121,234,854 |
| Diluted | 121,234,854 | 121,234,854 |

The calculation of diluted loss per share for the nine month periods ended September 30, 2017 and 2016 excludes the effect of all outstanding stock options as they are anti-dilutive.

15. Personnel expenses

Key management personnel include executive officers and directors. Executive officers were paid compensation and also participate in the Corporation's stock option program.

The executive officers during 2016 and 2017 included the Chief Executive Officer, Chief Financial Officer and Vice President of Finance, Vice President of Exploration, and Vice President of Land.

Non-executive directors are paid director fees and participate in the Corporation's stock option program.

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Key management personnel compensation included in total remuneration is as follows:

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|
| Salaries, benefits, consulting fees and director fees | \$ 272,500 | \$ 269,000 |
| Stock-based compensation (note 11(b)) | 4,725 | 36,743 |
| | \$ 277,225 | \$ 305,743 |

16. Commitments

As at September 30, 2017, the Corporation had an outstanding letter of credit of \$88,800 (December 31, 2016 - \$88,800) relating to an abandonment deposit held by the Saskatchewan Ministry of Energy and Resources, which is included in deposits and prepaid expenses.

17. Other related party transactions

During the nine month period ended September 30, 2017, professional fees of \$14,045 (September 30, 2016 - \$22,472) were incurred to a firm of which an officer and director of the Corporation is a partner and are included in general and administrative expenses. Of this amount, \$4,512 is included in accounts payable and accrued liabilities as at September 30, 2017 (September 30, 2016 - \$Nil).

During the nine month period ended September 30, 2017, director fees of \$11,500 (September 30, 2016 - \$8,000) were incurred to non-executive directors of the Corporation (note 15). Of this amount, \$11,500 is included in accounts payable and accrued liabilities at September 30, 2017 (September 30, 2016 - \$8,000).

The related party transactions are in the normal course of operations and have been initially measured at fair value, which is the amount of consideration established and agreed to by the related party and is similar to amounts negotiated independently with third parties.