

STANDARD EXPLORATION LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1**

DECEMBER 31, 2016 & 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

The following management's discussion and analysis ("MD&A") should be read in conjunction with Standard Exploration Ltd.'s ("Standard" or the "Corporation") audited financial statements as at and for the year ended December 31, 2016 and 2015. The accompanying financial statements of Standard have been prepared by management and approved by the Corporation's Board of Directors. The financial data presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The commentary is as of **April 25th, 2017**. The reader should be aware that historical results are not necessarily indicative of future performance.

Additional information about the Corporation, filed with the Canadian securities commissions, including periodic yearly and quarterly reports, is available online at www.sedar.com.

Standard is a Canadian-based junior petroleum & gas exploration and development company whose common shares are traded on TSX Venture Exchange under the symbol "SDE".

BASIS OF PRESENTATION

Certain financial data presented in this report has been prepared in accordance with International Financial Reporting Standards. The reporting and the measurement currency is the Canadian dollar.

FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking or outlook information which reflects management's expectations regarding the Corporation's growth, results of operations, performance and business prospects and opportunities. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "outlook", "forecast" and similar expressions are intended to identify forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in these forward-looking statements. Although management believes the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that actual results will be consistent with these forward-looking statements. Readers should not put undue reliance on forward-looking information. These statements are made as of the date hereof and management assumes no obligation to update or revise these statements to reflect new events or circumstances, except as required by securities legislation.

NON-IFRS MEASUREMENTS

The financial data presented in this MD&A has been prepared in accordance with International Financial Reporting Standards except for the term "field netbacks". The term "field netbacks" should not be considered an alternative to, or more meaningful than, "loss and comprehensive loss" as determined in accordance with IFRS as an indication of the Corporation's performance.

Field netbacks are useful supplemental measures as they demonstrate the Corporation's ability to generate cash. The Corporation calculates field netbacks as gross revenues less royalties and operating expenses, including transportation expenses. The Corporation's method of calculating these measures may differ from the methods used by other companies and accordingly may not be comparable to measures used by other companies.

OUTLOOK

The Corporation has implemented a strategy of pursuing petroleum prospects in southern Alberta. A focus in this part of the Western Canadian Sedimentary Basin affords relatively low finding costs, low operating costs with year-round access, and multiple play-type opportunities. The Corporation's management team has extensive experience in southern Alberta, which it is using to access opportunities, by both exploration drilling and by producing property acquisition.

CONTINGENCY

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. At December 31, 2016 and 2015, 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, which expired on May 4, 2016. To the date of authorization to issue the audited financial statements for the years ended December 31, 2016 and 2015, the shareholder has not responded to the Formal Offer.

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Petroleum and natural gas sales, net of royalties	\$813,353	\$964,752	\$1,397,284
Loss and comprehensive loss	(\$3,034,453)	(\$2,134,783)	(\$683,427)
Per share (basic and diluted)	(\$0.03)	(\$0.02)	(\$0.01)
Total assets	\$4,474,943	\$7,656,485	\$9,916,468

QUARTERLY DATA (\$)

Period	Net Sales	Net Loss	Basic	Fully Diluted	Total Assets
December 31, 2016	236,282	(2,434,608)	(0.02)	(0.02)	4,474,943
September 30, 2016	209,997	(166,167)	(0.00)	(0.00)	7,080,408
June 30, 2016	224,191	(200,880)	(0.00)	(0.00)	7,247,684
March 31, 2016	142,883	(232,798)	(0.00)	(0.00)	7,435,485
December 31, 2015	203,058	(1,745,892)	(0.01)	(0.01)	7,656,485
September 30, 2015	241,571	(159,043)	(0.00)	(0.00)	9,194,897
June 30, 2015	306,720	(144,646)	(0.00)	(0.00)	9,358,169
March 31, 2015	213,403	(85,202)	(0.00)	(0.00)	11,943,210

SUMMARY OF RESULTS

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Petroleum and gas sales, net of royalties	\$236,282	\$203,058	\$813,353	\$964,752
Loss and comprehensive loss	(\$2,434,608)	(\$1,745,892)	(\$3,034,453)	(\$2,134,783)
Per share – basic and diluted	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.02)
Petroleum and natural gas sales (Boe/d) ⁽¹⁾	62	68	65	71
Net cash from (used in) operating activities	(\$101,618)	\$114,309	(\$291,140)	(\$18,077)
Per share – basic and diluted	(\$0.00)	\$0.00	(\$0.00)	(\$0.00)
Additions – E&E Assets ⁽²⁾	-	(\$9,983)	-	\$2,960,971
Additions – PP&E ⁽³⁾	-	-	-	-
Total assets	\$4,474,943	\$7,656,485	\$4,474,943	\$7,656,485
Total net working capital ⁽⁴⁾	\$665,160	\$790,552	\$665,160	\$790,552

⁽¹⁾ Average sales for the period

⁽²⁾ Additions to exploration and evaluation assets

⁽³⁾ Additions to property and equipment and corporate assets

⁽⁴⁾ "Total net working capital" is calculated as current assets less current liabilities

PETROLEUM AND NATURAL GAS SALES

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Sales volumes				
Natural Gas (mcf/d)	-	7	6	7
Oil (bbls/d)	62	67	64	70
Total boe/d	62	68	65	71

Petroleum production was generated at its operated properties at Chin Coulee and Claresholm.

Overall petroleum and natural gas sales volumes during the year ended December 31, 2016 decreased by 8% as compared to the comparative period last year, mainly due to lower average oil sales volumes at Chin Coulee in the current period.

Overall petroleum and natural gas sales volumes during the three month period ended December 31, 2016 decreased by 9% as compared to the comparative period last year, mainly due to lower average oil sales volumes at Chin Coulee in the current period.

GROSS REVENUE AND PRICING

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Petroleum revenue	\$265,853	\$227,979	\$905,130	\$1,111,008
Petroleum (\$/bbl)	\$46.90	\$37.00	\$38.67	\$43.46
Natural gas revenue	\$1,220	\$1,795	\$4,798	\$5,585
Natural gas (\$/mcf)	-	-	-	-
	\$267,073	\$229,774	\$909,928	\$1,116,593

Revenue received for the Corporation's petroleum during the year ended December 31, 2016 totaled \$905,130, representing a 19% decrease from \$1,111,008 received during the comparative period last year. Decreased revenue in the current period was due to lower average commodity pricing as well as lower average sales volumes.

Prices received for the Corporation's petroleum during the year ended December 31, 2016 averaged \$38.67/bbl, representing an 11% decrease from an average of \$43.46/bbl received during the comparative period last year.

Revenue received for the Corporation's petroleum during the three month period ended December 31, 2016 totaled \$265,853, representing a 17% increase from \$227,979 received during the comparative period last year. Increased revenue in the current period was due to higher average commodity pricing, even though the Corporation averaged lower sales volumes in the current period.

Prices received for the Corporation's petroleum during the three month period ended December 31, 2016 averaged \$46.90/bbl, representing a 27% increase from an average of \$37.00/bbl received during the comparative period last year.

Prices received for the Corporation's natural gas sales are not presented due to the immaterial volumes received.

ROYALTIES

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Crown	\$9,335	\$8,117	\$23,547	\$61,122
Gross overriding and freehold	\$21,456	\$18,599	\$73,028	\$90,719
Total royalties	\$30,791	\$26,716	\$96,575	\$151,841
\$/boe	\$5.40	\$4.25	\$4.06	\$5.84
Percent of total revenue	12%	12%	11%	14%

Royalties for the year ended December 31, 2016 averaged \$4.06 per boe or 11% of petroleum and natural gas revenues as compared to royalties during the comparative period last year of \$5.84/boe or 14% of petroleum and natural gas revenues.

Royalties for the three month period ended December 31, 2016 averaged \$5.40 per boe or 12% of petroleum and natural gas revenues as compared to royalties during the comparative period last year of \$4.25/boe or 12% of petroleum and natural gas revenues.

Royalties for the year ended December 31, 2016 on a per boe basis during the current period were lower than during the comparative period last year due to lower average Crude Oil Royalty Calculation Par Prices (reference prices) as pre-determined by Alberta Energy.

REVENUE, NET OF ROYALTIES

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Gross Revenue	\$267,073	\$229,774	\$909,928	\$1,116,593
Royalties	(\$30,791)	(\$26,716)	(\$96,575)	(\$151,841)
	\$236,282	\$203,058	\$813,353	\$964,752

OPERATING EXPENSES

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Operating expenses	\$(61,577)	\$93,854	\$144,994	\$317,905
Operating - transportation	\$16,336	\$17,098	\$66,352	\$74,655
Total operating expenses	(\$45,241)	\$110,952	\$211,346	\$392,560
\$/boe	(\$7.93)	\$17.67	\$8.89	\$15.11
Percentage of gross revenue	(17%)	48%	23%	35%

Operating expenses for the year ended December 31, 2016 were \$8.89 per boe compared to \$15.11 per boe from the comparative period last year. Operating expenses as a percentage of gross revenue for the year ended December 31, 2016 was 23% as compared to 35% from the comparative period last year. The overall decrease in operating costs during the current period is largely due to an operating expense credit with respect to an equalization adjustment at Redwater, AB.

Operating expenses for the three month period ended December 31, 2016 were (\$7.93) per boe compared to \$17.67 per boe from the comparative period last year. Operating expenses as a percentage of gross revenue for the three month period ended December 31, 2016 was (17%) as compared to 48% from the comparative period last year. The overall decrease in operating costs during the current period is largely due to an operating expense credit with respect to an equalization adjustment at Redwater, AB.

Variance in operating costs year over year are due, in part, to periodic repairs and maintenance.

Overall, the battery facility at Chin Coulee has been operating efficiently and has had no major downtime.

FIELD NETBACKS ⁽¹⁾

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Gross revenue	\$267,073	\$229,774	\$909,928	\$1,116,593
Royalties	(\$30,791)	(\$26,716)	(\$96,575)	(\$151,841)
Operating expenses ⁽²⁾	\$45,241	(\$110,952)	(\$211,346)	(\$392,560)
Netback	\$281,523	\$92,106	\$602,007	\$572,192
\$/boe	\$49.36	\$14.67	\$25.33	\$22.02

(1) See section titled "NON-IFRS MEASUREMENTS"

(2) Including transportation expenses

Field netbacks for the year ended December 31, 2016 were \$602,007 or \$25.33 per boe, representing a 15% increase per boe compared to field netbacks from the comparative period last year of \$572,192 or \$22.02 per boe.

Field netbacks for the three month period ended December 31, 2016 were \$281,523 or \$49.36 per boe, representing a 236% increase per boe compared to field netbacks from the comparative period last year of \$92,106 or \$14.67 per boe.

Overall field netbacks realized by the Corporation during the three month and year periods ended December 31, 2016 were higher than the comparative periods last year due largely to an operating expense credit with respect to an equalization adjustment at Redwater, AB.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
G&A expenses	\$172,739	\$237,042	\$626,180	\$673,100
\$/boe	\$30.29	\$37.89	\$26.35	\$25.91

G&A expenses for the year ended December 31, 2016 totalled \$626,180 or \$26.35 per boe, representing a 7% decrease from \$673,100 or \$25.91 per boe from the comparative period last year.

G&A expenses for the three month period ended December 31, 2016 totalled \$172,739 or \$30.29 per boe, representing a 27% decrease from \$237,042 or \$37.89 per boe from the comparative period last year.

Overall G&A expenses decreased in 2016 as compared to 2015 partly due to reduced salaries and consulting fees, audit and legal fees, insurance expense, and office supplies and services.

The following table breaks down G&A expenses by category:

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Salaries and consulting fees	\$ 96,533	\$ 96,840	\$ 393,361	\$ 397,053
Audit and legal	31,445	48,760	63,166	82,606
Rent and parking	6,000	5,602	24,000	24,210
Computer services & software	11,504	14,228	43,835	46,359
Directors fees	3,000	4,000	11,000	10,500
Transfer Agent & filing fees	808	939	15,701	15,834
Insurance	3,098	12,663	11,175	24,679
Travel, meals and entertainment	155	198	785	1,016
Office supplies and services	3,205	15,077	35,660	47,641
Reserve report	8,500	6,414	10,586	6,709
Other	8,491	32,321	16,911	16,493
	\$ 172,739	\$ 237,042	\$ 626,180	\$ 673,100

EXPLORATION AND EVALUATION EXPENSES

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
	\$2,418,527	\$1,421,761	\$2,462,647	\$1,463,182

During the year ended December 31, 2016, exploration and evaluation expenses included a \$2,382,863 impairment charge at Reagan 100/04-01-2-19 W4M HZ, as there are no substantive expenditures or further exploration budgeted or planned for this well, as well as land costs of \$41,725 and drilling costs of \$38,059.

During the year ended December 31, 2015, exploration and evaluation expenses included a \$1,393,325 impairment charge at Reagan 100/13-10-1-18 W4M HZ, as there are no substantive expenditures or further exploration budgeted or planned for this well, as well as land costs of \$34,835 and drilling costs of \$35,022.

FINANCE INCOME AND EXPENSES

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Interest income on cash and cash equivalents	\$1,927	\$2,467	\$5,985	\$17,971
Revaluation of the contingent liability	-	45,000	-	45,000
Part XII.6 tax	-	-	-	(794)
Accretion	(\$4,545)	(\$5,149)	(\$18,174)	(\$20,593)
	(\$2,618)	42,318	(\$12,189)	41,584

During the year ended December 31, 2016, interest income of \$5,985 (December 31, 2015 - \$17,971) was earned on funds held in a T-bill savings account, interest expense of \$Nil (December 31, 2015 – \$794) was related to Part XII.6 tax in connection with the Corporation’s flow-through share financing, and accretion of decommissioning provision expense of \$18,174 (December 31, 2015 - \$20,593) was incurred to bring the decommissioning provisions up to the current period’s obligation.

During the three month period ended December 31, 2016, interest income of \$1,927 (December 31, 2015 - \$2,467) was earned on funds held in a T-bill savings account and accretion of decommissioning provision expense of \$4,545 (December 31, 2015 - \$5,149) was incurred to bring the decommissioning provisions up to the current period’s obligation.

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.

DEPLETION, DEPRECIATION, AND AMORTIZATION (“DD&A”)

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Depletion	\$115,158	\$131,959	\$491,612	\$557,058
\$/boe	\$20.19	\$21.01	\$20.69	\$21.53

Using the unit-of-production method based on total estimated proved plus probable reserves, depletion for the year ended December 31, 2016 was \$20.69 per boe, representing a 4% decrease over the comparative period last year.

IMPAIRMENTS

At December 31, 2016 and December 31, 2015, 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 were 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.

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

At December 31, 2015, the Corporation recognized an impairment loss of \$49,000 on the Claresholm CGU. The impairment loss in 2015 was mainly the result of decreases in forecasted commodity prices.

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 (December 31, 2015 - increase the impairment losses by approximately \$230,000).

EXPLORATION AND EVALUATION ASSETS

	As at December 31, 2016	As at December 31, 2015
Reagan, Alberta	\$ -	\$2,382,863
	\$ -	\$2,382,863

During the year ended December 31, 2016, exploration and evaluation expenses included a \$2,382,863 impairment charge at Reagan 100/04-01-2-19 W4M HZ, as there are no substantive expenditures or further exploration budgeted or planned for this well.

PROPERTY AND EQUIPMENT

During the years ended December 31, 2016 and 2015, the Corporation did not incur any capital expenditures on its developed and producing properties.

ABANDONMENT EXPENSES

During the year ended December 31, 2016, the Corporation incurred \$27,420 (December 31, 2015 - \$Nil) in cash decommissioning costs at its Redwater, Alberta property.

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, 2015	121,234,854	\$ 15,922,585
Balance, December 31, 2016	121,234,854	\$ 15,922,585

STOCK-BASED COMPENSATION

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.

MATERIAL TRANSACTIONS

On April 10, 2017, the Corporation announced an asset disposition at Claresholm, Alberta to an arms-length private company for net cash proceeds of \$374,321 through Sayer Energy Advisors. The transaction closed on April 7, 2017 with an effective date of March 1, 2017. Claresholm's net oil production averaged 9 boe/d.

LOSS AND COMPREHENSIVE LOSS & CASH FLOWS FROM OPERATING ACTIVITIES

	Three Months Ended Dec. 31 2016	Three Months Ended Dec. 31 2015	Year Ended Dec. 31 2016	Year Ended Dec. 31 2015
Loss and comprehensive loss	(\$2,434,608)	(\$1,745,892)	(\$3,034,453)	(\$2,134,783)
Per share – basic and diluted	(\$0.02)	(\$0.01)	(\$0.03)	(\$0.02)
Net cash from (used in) operating activities	(\$101,618)	\$114,309	(\$291,140)	(\$18,077)
Per share – basic and diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

In the year ended December 31, 2016, the Corporation recorded a loss and comprehensive loss of \$3,034,453 (December 31, 2015 - \$2,134,783). On a per share basis, this loss equates to \$0.03 per share (December 31, 2015 - \$0.02 per share).

In the three month period ended December 31, 2016, the Corporation recorded a loss and comprehensive loss of \$2,434,608 (December 31, 2015 - \$1,745,892). On a per share basis, this loss equates to \$0.02 per share (December 31, 2015 - \$0.01 per share).

SUPPLEMENT TO THE FINANCIAL STATEMENTS

The outstanding common shares and stock options are summarized below (also see notes 10 and 11 to the audited financial statements for years ended December 31, 2016 and 2015):

	April 25, 2017	December 31, 2016	December 31, 2015
Common shares	121,234,854	121,234,854	121,234,854
Stock options	8,500,000	8,500,000	3,500,000

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016 the Corporation had a working capital surplus of \$665,160 (December 31, 2015 - \$790,552), which included cash of \$603,637 (December 31, 2015 - \$889,587).

During the years ended December 31, 2016 and 2015, the Corporation financed its capital expenditure program from a combination of cash flow and from the proceeds of its private placements.

The Corporation anticipates it will fund its current year's capital expenditures through a combination of cash on hand and revenue received from operations.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, professional fees of \$28,598 (December 31, 2015 - \$40,922) 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, \$5,785 is included in accounts payable and accrued liabilities as at December 31, 2016 (December 31, 2015 - \$10,993).

During the year ended December 31, 2016, director fees of \$11,000 (December 31, 2015 - \$10,500) were incurred to non-executive directors of the Corporation (note 16). Of this amount, \$Nil is included in accounts payable and accrued liabilities at December 31, 2016 (December 31, 2015 - \$Nil).

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.

COMMITMENTS

The Corporation had a five year office lease that ended in October of 2015. The annual commitment for the lease, not including variable operating costs, taxes and fees, was \$34,225. The Corporation's current offices are leased on a month-to-month basis.

As at December 31, 2016, the Corporation had an outstanding letter of credit of \$88,800 (December 31, 2015 - \$88,800) relating to an abandonment deposit held by the Saskatchewan Ministry of Energy and Resources, which is included in deposits and prepaid expenses.

BASIS OF BARREL OF OIL EQUIVALENT

For the purposes of calculating unit costs, natural gas has been converted to a barrel of oil equivalent (boe) using 6,000 cubic feet ("6 mcf") equal to one barrel (6:1), unless otherwise stated. The boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method and does not represent a value equivalency; therefore boe may be misleading if used in isolation. This conversion conforms to the Canadian Securities Regulators' National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

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.

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 2016 and 2015, the Corporation has not experienced any collection issues with its marketers.

During the years ended December 31, 2016 and 2015, the Corporation sold a substantial portion of its production to two marketers. Sales to these customers aggregated approximately \$0.93 million or 100% (December 31, 2015 - \$1.12 million or 100%) of total petroleum and natural gas sales. At December 31, 2016, amounts due from these customers included in accounts receivable totalled \$110,412 (December 31, 2015 - \$77,142).

As at December 31, 2016 and 2015, the Corporation's accounts receivable were comprised of the following:

	December 31, 2016	December 31, 2015
Petroleum and natural gas sales	\$ 110,412	\$ 77,142
Joint interest partners	920	1,790
GST	12,743	21,526
Other	7,830	1,568
	\$ 131,905	\$ 102,026
0 to 30 days	\$ 90,616	\$ 74,216
31 to 60 days	21,003	13,291
61 to 90 days	-	-
Greater than 90 days	20,286	14,519
	\$ 131,905	\$ 102,026

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. During the year ended December 31, 2016, the Corporation recorded bad debt of \$Nil (year ended December 31, 2015 - \$2,334) related to one joint interest partner in receivership. The bad debt has been included in general and administrative expense for the year ended December 31, 2015.

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.

The Corporation's accounts payable and accrued liabilities as at December 31, 2016 and 2015 are comprised of the following:

	December 31, 2016	December 31, 2015
Capital expenditures	\$ 3,736	\$ -
General and administrative	41,502	65,256
Operating	114,292	229,261
Other	33,950	30,760
	\$ 193,480	\$ 325,277
0 to 30 days	\$ 45,245	\$ 101,111
31 to 60 days	19,352	19,112
61 to 90 days	9,279	5,610
Greater than 90 days	119,604	199,444
	\$ 193,480	\$ 325,277

A significant 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. At December 31, 2016 and 2015, 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, which expired on May 4, 2016. To the date of authorization of the audited financial statements for the years ended December 31, 2016 and 2015, the shareholder has not responded to the Formal Offer.

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

As at and for the years ended December 31, 2016 and 2015, 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. For the year ended December 31, 2016, a 1% increase in interest rates would increase income by approximately \$5,000 (year ended December 31, 2015 - \$7,000).

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.

For the year ended December 31, 2016, the Corporation's loss and net comprehensive loss would have fluctuated by approximately \$23,407 for each \$1.00 change in crude oil prices (December 31, 2015 - \$25,530)

(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.

The Corporation's defined capital as at December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Current assets	\$ 858,640	\$ 1,115,829
Current liabilities	(193,480)	(325,277)
Working capital	\$ 665,160	\$ 790,552

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 years ended December 31, 2016 and 2015.

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.

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

CRITICAL ACCOUNTING ESTIMATES

Depletion and depreciation of property and equipment

Development and production assets within property, plant and equipment are depreciated and depleted using the unit-of-production method based on estimated proved and probable reserves determined using estimated future prices and costs. There are a number of inherent uncertainties associated with estimating reserves. By their nature, these estimates of reserves, including the estimates of future prices and costs, and related future cash flows are subject to measurement uncertainty, and the impact on the financial statements of future periods could be material.

Exploration and evaluation assets

The application of the Corporation's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined and when technical feasibility and commercial viability has been reached. Estimates and assumptions may change as new information becomes available.

Decommissioning liabilities

Decommissioning costs are incurred when certain of the Corporation's tangible long-lived assets are retired. Assumptions, based on current economic factors which Management believes are reasonable, have been made to estimate the future liability. However, the actual cost of decommissioning is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration. The impact to net earnings over the remaining economic life of the assets could be significant due to the changes in cost estimates as new information becomes available. In addition, the Corporation determines the appropriate risk-free discount rate at the end of each period to determine the present value of the estimated future cash outflows required to settle the obligation and may change in response to numerous market factors.

Impairment of assets

The recoverable amounts of CGU's and individual assets have been determined as the higher of the CGU's or the asset's fair value less costs of disposal and its value in use. These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates as well as future development and operating costs. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGU's.

Share based payments

The Corporation uses the fair value method for valuing stock options and warrants. The fair value of each option and warrant grant is estimated on the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of subjective assumptions including expected stock price volatility.

Legal, environmental remediation and other contingent matters

The Corporation is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined it is charged to earnings. The Corporation's management must continually monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by circumstance.