STANDARD EXPLORATION LTD.

FILING STATEMENT

Dated as of December 19, 2018

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this Filing Statement.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Filing Statement constitute forward-looking statements. The use of any of the words "anticipate", "intend", "continue", "estimate", "expect", "may", "will", "plan", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. 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. Standard believes 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 forwarding-looking statements speak only as of the date of this Filing Statement. In particular, this Filing Statement may contain forward-looking statements pertaining to the following:

- the completion of the Acquisition and the Private Placement and the timing thereof;
- the impact of the Acquisition on Gulf Pine's operations, reserves, drilling inventory and opportunities, financial condition, access to capital and overall strategy;
- the performance characteristics of the Resulting Issuer's oil and natural gas properties;
- the proposed executive compensation of the executives of the Resulting Issuer following the Transaction;
- oil and natural gas production levels;
- capital expenditure programs;
- the quantity of oil and natural gas proved and probable reserves;
- projections of market prices and operating costs;
- supply and demand for oil and natural gas;
- the composition of management and the board of directors of the Resulting Issuer;
- the anticipated Name Change and Consolidation and the timing thereof;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory and royalty regimes and tax laws; and
- the ability to remediate sites and remedy spills, releases or emissions of various substances that may be produced in association with the Resulting Issuer's petroleum and natural gas operations.

Although management of Standard and Gulf Pine believe that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Filing Statement:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;

- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions (including the Acquisition);
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- changes in income tax laws and incentive programs relating to the oil and natural gas industry;
- failure to realize anticipated benefits of acquisitions (including the Acquisition); and
- the other factors discussed under "*Risk Factors*".

Statements relating to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

With respect to forward-looking statements contained in this Filing Statement, Standard and Gulf Pine have made assumptions regarding, among other things: the timing of obtaining regulatory approvals and completion of each of the Acquisition, the Private Placement, the Consolidation and the Name Change; commodity prices and royalty regimes (including royalty rates); availability of skilled labour; timing and amount of capital expenditures; the performance characteristics of oil and natural gas properties; the size of oil and natural gas reserves; the ability to obtain financing on acceptable terms; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; access to capital; availability of drilling and related equipment; effects of regulation by governmental agencies; the continuation of current tax law and regulation; and future operating costs.

Standard has included the above summary of assumptions and risks related to forward-looking information provided in this Filing Statement in order to provide investors with a more complete perspective on Standard's current and future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Filing Statement are expressly qualified by this cautionary statement. Except as required by applicable securities laws, none of Standard, Gulf Pine or the Resulting Issuer undertakes any obligation or is under any duty to publicly update or revise any forward-looking statements. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Filing Statement.

MARKET AND INDUSTRY DATA

The market and industry data contained in this Filing Statement are based upon information from independent industry and other publications and Standard's and Gulf Pine's management's knowledge of and experience in the industry in which Standard and Gulf Pine operate. None of the sources of market and industry data has provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Acquisition. Market and industry data are subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. Neither Standard nor Gulf Pine has independently verified any of the data from third party sources referred to in this Filing Statement or ascertained the underlying assumptions relied upon by such sources.

GLOSSARY

Set forth below are definitions of certain terms used throughout this document.

"**Acquisition**" means the acquisition by Standard of the Gulf Pine Shares and the Gulf Pine Units pursuant to the terms and conditions set forth in the Equity Purchase Agreement.

"**Affiliate**" means a Company that is affiliated with another Company as described below:

A Company is an "Affiliate" of another Company if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A Company is "controlled" by a Person if:

(a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person; and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

(a) a Company controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

"**Associate**" when used to indicate a relationship with a person or company, means:

(a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of Standard;

(b) any partner of the person or company;

(c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;

(d) in the case of a person, a relative of that person, including:

(i) that person's spouse or child; or

(ii) any relative of the person or of his spouse who has the same residence as that person; but

(e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

"**Available Funds**" has the meaning ascribed under the heading "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*".

"**BWB Assets**" or "**Black Warrior Basin Assets**" has the meaning ascribed under the heading "*Information Concerning Gulf Pine – General Development of the Business - History*".

"**Canadian Energy Arrangement**" has the meaning ascribed under the heading "*Information Concerning Standard – General Development of the Business - History*".

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time.

"**Closing**" means the closing of the Transaction.

"**Closing Date**" means the date on which the Closing occurs.

"**CMS Assets**" or "**Central Mississippi Assets**" has the meaning ascribed under the heading "*Information Concerning Gulf Pine – General Development of the Business - History*".

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time.

"**Company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Consolidation**" means the consolidation of Standard Shares, on the basis of one post-Consolidation Standard Share for up to every five pre-Consolidation Standard Shares.

"**Control Person**" means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of Standard.

"**Credit Agreement**" means the credit agreement between Gulf Pine Energy, LP, a wholly-owned subsidiary of Gulf Pine LP, and Texas Capital Bank, National Association dated February 1, 2017, as amended.

"**Equity Purchase Agreement**" means that certain equity purchase and sale agreement among Standard, Gulf Pine GP, Gulf Pine LP and the Vendors dated as of November 12, 2018.

"**Exchange**" or "**TSXV**" means the TSX Venture Exchange Inc.

"**GAAP**" means, accounting principles generally accepted in Canada as recommended in the Chartered Professional Accountants of Canada Handbook or its successor, which as of the date hereof means IFRS, applied on a basis consistent with the most recent audited financial statements and, if applicable, its consolidated subsidiaries;

"**Gulf Pine**" means, collectively, Gulf Pine GP and Gulf Pine LP.

"**Gulf Pine Assets**" means those petroleum and natural gas properties and assets owned by Gulf Pine or its subsidiaries and includes, without limitation, the BWB Assets and the CMS Assets.

"**Gulf Pine Board**" means the board of managers of Gulf Pine GP.

"**Gulf Pine GP**" means Gulf Pine Energy Partners GP, LLC, a limited liability corporation existing under the laws of the State of Delaware.

"**Gulf Pine Financial Statements**" has the meaning ascribed under the heading "*Information Concerning Gulf Pine – Selected Financial Information and Management's Discussion and Analysis*".

"**Gulf Pine LP**" means Gulf Pine Energy Partners, LP, a limited partnership existing under the laws of the State of Delaware.

"**Gulf Pine MD&A**" has the meaning ascribed under the heading "*Information Concerning Gulf Pine – Selected Financial Information and Management's Discussion and Analysis – Management's Discussion and Analysis*".

"**Gulf Pine Series B Units**" means the Series B limited partnership units of Gulf Pine LP.

"**Gulf Pine Shares**" means common shares in the capital of Gulf Pine GP.

"**Gulf Pine Unitholders**" means the holders of Gulf Pine Units.

"**Gulf Pine Units**" means the Series A limited partnership units of Gulf Pine LP.

"**IFRS**" means International Financial Reporting Standards including International Accounting Standards and Interpretations together with their accompanying documents which are set by the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation and the International Financial Reporting Interpretations Committee, the interpretative body of the International Accounting Standards Committee Foundation.

"**Initial Investor Group**" means Ian Atkinson, Calvin Yau, Chris Birchard, and Gary McMurren.

"**Insider**" if used in relation to Standard, means:

(a) a director or senior officer of Standard;

(b) a director or senior officer of the Company that is an Insider or subsidiary of Standard;

(c) a Person that beneficially owns or controls, directly or indirectly, Standard Shares carrying more than 10% of the voting rights attached to all outstanding Standard Shares; or

(d) Standard itself if it holds any of its own securities.

"**ITA**" means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as amended from time to time.

"**Market Price**" has the meaning ascribed under the heading "*Information Concerning Standard – Details of the Reorganization and Investment Agreement – The Private Placement*".

"**Meeting**" has the meaning ascribed thereto under "*Information Concerning the Resulting Issuer – Corporate Structure – Name and Incorporation*".

"**Name Change**" has the meaning ascribed thereto under "*Information Concerning the Resulting Issuer – Corporate Structure – Name and Incorporation*".

"**Named Executive Officer**" means individual(s) acting as Chief Executive Officer, Chief Financial Officer, and the three most highly compensated individuals of an issuer whose total annual compensation exceeds (or exceeded) $150,000.

"**New Board**" means the persons that will be appointed as the new directors of Standard on the Closing Date, such persons being: Ian Atkinson, Bruce Beynon, Mike G. Kohut, Tamara MacDonald, Andrew McCreath, C. Neil Smith and R. Steven Smith.

"**New Executives**" means the persons that will be appointed as the new officers of Standard on the Closing Date, such persons being: Ian Atkinson – President and Chief Executive Officer, Calvin Yau – Vice President, Finance and Chief Financial Officer, Chris Birchard – Vice President, Geoscience, Gary McMurren – Vice President, Engineering and Sanjib Gill – Corporate Secretary.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**Non-Arm's Length Party**" means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an Issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

"**NSAI**" means Netherland, Sewell & Associates Inc., independent reserves evaluators.

"**NSAI Report**" means the report dated December 17, 2018 evaluating the oil, natural gas liquids and natural gas reserves of the Gulf Pine Assets as at December 31, 2017, prepared by NSAI as independent reserves evaluators.

"**Old Board**" means the board of directors of Standard prior to the completion of the Reorganization.

"**Old Executives**" means the current officers of Standard, being Tom MacKay, Chief Executive Officer, Vincent Ghazar, Chief Financial Officer, Alan R. Breakey, Vice President, Exploration, Nancy Marano, Vice President, Land and V.E. Dale Burstall, Secretary.

"**Partnership Agreement**" has the meaning ascribed thereto under "*Information Concerning Gulf Pine – Corporate Structure*".

"**Performance Warrant**" means performance-based Standard Share purchase warrants, each such Performance Warrant entitling the holder to purchase one Standard Share at a price of $0.02 (on a pre-Consolidated basis) for a period of five years.

"**Person**" means a Company or individual.

"**Pine Brook**" means Pine Brook Gulf Intermediate, L.P., a limited partnership existing under the laws of the State of Delaware.

"**Principal Security Holder**" means any person or company that owns of record or beneficially, directly or indirectly, or exercises control or direction over more than 10% of any class of voting securities of an issuer.

"**Private Placement**" means the offering of up to 1,000,000,000 Units or Standard Shares (on a pre-Consolidated basis) to subscribers for gross proceeds of up to $20 million, provided that, the size of the Private Placement may be increased to $25 million, as a result of excess demand. As of the date of the Filing Statement, approximately $18 million has been raised.

"**Promoter**" has the meaning specified in section 1(rr) of the *Securities Act* (Alberta).

"**Reorganization**" means the reorganization and reconstitution of the Standard Board and the completion of the Private Placement upon the terms and conditions set forth in the Reorganization and Investment Agreement.

"**Reorganization and Investment Agreement**" means that certain reorganization and investment agreement among Standard and the Initial Investor Group, dated as of November 12, 2018.

"**Resulting Issuer**" means Standard, as reconstituted upon completion of the Reorganization and the Acquisition.

"**Resulting Issuer Board**" means the board of directors of the Resulting Issuer.

"**Resulting Issuer Shares**" means common shares in the capital of the Resulting Issuer.

"**Resulting Issuer Shareholders**" means the holders of the Resulting Issuer Shares.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Sponsor**" has the meaning specified in Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

"**Standard**" means Standard Exploration Ltd., a corporation incorporated under the *CBCA*.

"**Standard Board**" means the board of directors of Standard.

"**Standard Financial Statements**" has the meaning ascribed under the heading "*Information Concerning Standard – Selected Financial Information and Management's Discussion and Analysis*".

"**Standard MD&As**" means the management discussions and analyses of Standard all filed with regulatory authorities on www.sedar.com for:

(a) the financial years ended December 31, 2017 and 2016; and

(b) for the three and nine month periods ended September 30, 2018.

"**Standard Options**" means the outstanding options to acquire Standard Shares under the Standard Stock Option Plan.

"**Standard Shareholders**" means the holders of Standard Shares.

"**Standard Shares**" means common shares in the capital of Standard.

"**Standard Stock Option Plan**" means the stock option plan of Standard.

"**Transaction**" means, collectively, the Reorganization and the Acquisition.

"**Unit**" means units to be issued to subscribers under the Private Placement that are to become members of the New Executives and the New Board and subscribers that are identified by the New Executives. Each Unit will be comprised of one Standard Share and one Performance Warrant.

"**U.S. GAAP**" means generally accepted accounting principles in the United States of America.

"**Vendors**" means the beneficial owners of the Gulf Pine Units and Gulf Pine Shares.

Words imparting the singular number only include the plural and *vice versa*, and words imparting any gender include all genders.

All references to "dollars", "CDN$" or "$" are to Canadian dollars, unless otherwise stated. All reference to "U.S. dollars, "US$" or "USD" are to United States dollars.

NOTES ON RESERVES DATA AND OTHER OIL AND GAS INFORMATION

All oil and natural gas reserve information contained in this Filing Statement has been prepared and presented in accordance with NI 51-101.

Abbreviations

Oil and Natural Gas Liquids		Natural Gas	
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	MMcf	million cubic feet
MBbls	thousand barrels	Mcf/d	thousand cubic feet per day
Bbls/d	barrels per day	MMcf/d	million cubic feet per day
		Tcf	trillion cubic feet

Other

Boe	barrel of oil equivalent of natural gas and crude oil on the basis of 1 Boe for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
Boe/d	barrel of oil equivalent per day
m^3	cubic metres
MBoe	thousand barrels of oil equivalent
$M or $000s	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in United States dollars at Cushing, Oklahoma for crude oil of standard grade

Conversions

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

Caution Respecting Reserves Information

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, NGL and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves.

Caution Respecting Boe

In this Filing Statement, the abbreviation Boe means a barrel of oil equivalent on the basis of 1 Boe to 6 Mcf of natural gas when converting natural gas to Boes. Boes may be misleading, particularly if used in isolation. **A Boe conversion ratio of 6 Mcf to 1 Boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio at 6:1 may be misleading.**

Definitions

Certain terms used in this Filing Statement and in the documents incorporated by reference herein describing reserves and other oil and natural gas information are defined below. Certain other terms and abbreviations used in this Filing Statement, but not defined or described, are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or the COGE Handbook.

Reserves

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical and engineering data; (b) the use of established technology; and (c) specified economic conditions, specifically the forecast prices and costs, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates as follows:

"**proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**probable reserves**" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

The qualitative certainty levels referred to in the definitions above are applicable to "**individual reserves entities**" (which refers to the lowest level at which reserves calculations are performed) and to "**reported reserves**" (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories as follows:

"**developed reserves**" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing as follows:

"**developed producing reserves**" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

"**developed non-producing reserves**" are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown; and

"**undeveloped reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Interests in Reserves, Production, Wells and Properties

"**gross**" means: (i) in relation to an issuer's interest in production or reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of Standard or Gulf Pine; (ii) in relation to wells, the total number of wells in which an issuer has an interest; and (iii) in relation to properties, the total area of properties in which an issuer has an interest.

"**net**" means: (i) in relation to an issuer's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves; (ii) in relation to an issuer's interest in wells, the number of wells obtained by aggregating Standard's or Gulf Pine's working interest in each of their gross wells; and (iii) in relation to an issuer's interest in a property, the total area in which Standard or Gulf Pine have an interest multiplied by the working interest owned by Standard or Gulf Pine, respectively.

"**working interest**" means the percentage of undivided interest held by an issuer in the oil and/or natural gas or mineral lease granted by the mineral owner, Crown or freehold, which interest gives Standard or Gulf Pine the right to "work" the property (lease) to explore for, develop, produce and market the leased substances.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to Standard, Gulf Pine and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this filing statement.

The Reorganization: On November 12, 2018, Standard and the Initial Investor Group entered into the Reorganization and Investment Agreement pursuant to which Standard will complete the Private Placement and the Old Board and Old Executives will be replaced by the New Board and New Executives.

Subject to the terms and conditions of the Reorganization and Investment Agreement, the parties agreed to complete the Private Placement of up to 1,000,000,000 Units or Standard Shares to subscribers for gross proceeds of up to $20 million, at a deemed issue price of $0.02 per Unit or Standard Share (on a pre-Consolidated basis), provided that, the Initial Investor Group shall be entitled to increase the size of the financing to $25 million. As of the date of the Filing Statement, approximately $18 million has been raised.

Units will be issued to subscribers that are to become members of the New Executives and the New Board and subscribers that are identified by the New Management. Each Unit will be comprised of one Standard Share and one Performance Warrant. Each Performance Warrant will entitle the holder to purchase one Standard Share at a price of $0.02 (on a pre-Consolidated basis) for a period of five years. The Performance Warrants will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the Standard Shares (the "**Market Price**") equaling or exceeding $0.03 (on a pre-Consolidated basis), an additional one-third upon the Market Price equaling or exceeding $0.04 (on a pre-Consolidated basis) and a final one-third upon the Market Price equaling or exceeding $0.05 (on a pre-Consolidated basis). In addition, in the event the Market Price equals or exceeds $0.08 (on a pre-Consolidated basis), each Performance Warrant shall be exercisable for 1.5 Standard Shares, provided that, at the time of exercise in respect of the additional 0.5 of a Standard Share per Performance Warrant, the Standard Shares are listed on the facilities of a recognized stock exchange (other than the TSXV), the Standard Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the TSXV).

Concurrent with the Closing of the Private Placement, the Old Board and Old Executives shall resign and be replaced by the New Board and New Executives.

The Reorganization is subject to the completion of certain conditions including the receipt of all regulatory, governmental and third party approvals. For more information on the Reorganization see below under the heading "*The Transaction – Details of the Reorganization and Investment Agreement*".

The Acquisition: On November 12, 2018, Standard entered into the Equity Purchase Agreement with Gulf Pine GP, Gulf Pine LP and the Vendors pursuant to which Standard will acquire all of the Gulf Pine Units and Gulf Pine Shares for aggregate consideration of USD$3,425,100 in cash, for a total transaction value of USD$24.4 million (including net debt). Gulf Pine is an oil and gas company whose business plan is focused on building value through the consolidation, development and exploration of material oil and gas assets in southeastern United States.

The Acquisition is subject to the satisfaction of all conditions to the completion of the Acquisition, as set forth in the Equity Purchase Agreement, including the completion of the Reorganization.

The Gulf Pine Assets are comprised primarily of two operated, high working interest properties located in Mississippi and Alabama. There is a total of 254 producing wells making approximately 1,700 boe/d (~14% oil and liquids) of working interest production and 88 non-producing wells on approximately 59,000 net acres of mineral rights ownership.

The Gulf Pine Assets have the following characteristics:

	Company Reserves								**Net Present Value**
	Light and Medium Oil (Mbbl)		**Condensate (Mbbl)**		**NGL (Mbbl)**		**Conventional Natural Gas (MMcf)**		**Before Income Taxes, Discounted at 10%/year**
Reserves Category	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**(M$)**
Proved Developed Producing	238.3	183.2	304.0	245.3	192.2	155.5	34,038.3	27,162.6	**43,350**
Proved Developed Non-Producing	67.5	52.7	101.9	79.4	26.6	21.6	12,434.2	9,602.5	**10,476**
Proved Undeveloped	-	-	312.2	254.5	180.0	146.7	16,106.1	13,129.8	**21,276**
Total Proved	**305.8**	**235.9**	**718.1**	**579.2**	**398.7**	**323.9**	**62,578.5**	**49,894.8**	**75,102**
Probable	-	-	-	-	-	-	-	-	**-**
Total Proved Plus Probable	**305.8**	**235.9**	**718.1**	**579.2**	**398.7**	**323.9**	**62,578.5**	**49,894.8**	**75,102**

Notes:
(1) Utilizes the price forecast as of December 31, 2017 as detailed under the heading "*Information Concerning Gulf Pine – Reserves Data and Other Oil and Gas Information with respect to the Gulf Pine Assets*".
(2) Columns may not add due to rounding.

For more information on the Acquisition and Gulf Pine, see below under the headings "*The Transaction – Details of the Equity Purchase Agreement*", "*Information Concerning Gulf Pine*" and "*Schedule "F" – Report of Qualified Reserves Evaluator on the Gulf Pine Assets*".

Interests of Insiders: No Insider, promoter or Control Person of Standard and no Associates and Affiliates of the same has any interest in the Transaction.

Arm's-Length Transaction: The Transaction is an arm's length transaction.

Funds Available: Standard anticipates that following the Closing, the Resulting Issuer will have estimated funds available of approximately $16,190,000. The principal purposes of those funds will be to fund the Acquisition, the Resulting Issuer's short term exploration and development costs and other expenses in respect of the Gulf Pine Assets, and for general corporate purposes.

Due to the nature of the oil and gas industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities which may become available to the Resulting Issuer. Accordingly, while it is anticipated that the funds available will be spent as set forth above, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. While actual expenditures may in fact differ from the amounts and allocations referenced above, the net proceeds will be used in furtherance of the Resulting Issuer's business. See "*Risk Factors*".

For more information on the funds available see "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*".

Selected Pro Forma Financial Information: The following table sets out certain unaudited pro forma financial information for Standard and Gulf Pine derived from the unaudited pro forma consolidated financial statements of the Resulting Issuer after giving effect to the Private Placement and the Acquisition, as well as certain other adjustments. The following information should be read in conjunction with the unaudited pro forma consolidated financial statements of the Resulting Issuer set forth in Schedule “E” to this Filing Statement.

	Standard as at September 30, 2018	**Gulf Pine as at September 30, 2018**	**Pro forma as at September 30, 2018 after giving effect to the Transaction**
	(unaudited) ($000)	**(unaudited) ($000)**	**(unaudited) ($000)**
Total Assets	3,451	57,047	50,063
Total Liabilities	1,366	23,569	31,688

Listing and Market Price: The Standard Shares are currently listed for trading on the facilities of the TSXV under the trading symbol "SDE". The market price of the Standard Shares on the Exchange on November 12, 2018, being the last day preceding the announcement of the Transaction was $0.02 per Standard Share. As at the last trading day prior to the date hereof, the market price of the Standard Shares on the Exchange was $0.035 per Standard Share.

There is no public market for the Gulf Pine Shares or the Gulf Pine Units.

Conflicts of Interest: The directors and officers of the Resulting Issuer may also be involved in other projects, including other projects in the oil and gas exploration and development industry, and may have a conflict of interest in allocating their time between the business of the Resulting Issuer and other businesses or projects in which they are, or may become involved.

Interests of Experts:	NSAI prepared the NSAI Report in respect of the Gulf Pine Assets. As at the date hereof, the partners and associates of NSAI do not own, directly or indirectly, any of the securities of Standard or Gulf Pine. MNP LLP are the auditors of Standard and have confirmed that they are independent with respect to Standard within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulators. Deloitte LLP are the auditors of Gulf Pine and have confirmed that they are independent with respect to Gulf Pine within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.
Risk Factors:	The Transaction should be considered highly speculative due to the nature of the proposed involvement in the exploration for and production of oil and natural gas. Future operations would be subject to all of the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, which could result in personal injuries, loss of life and damage to property of the Resulting Issuer and others. The marketability and price of oil and natural gas that may be acquired or discovered by the Resulting Issuer will be affected by numerous factors beyond the control of the Resulting Issuer. The Resulting Issuer will be subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties relating to the proximity of its reserves to pipelines and processing facilities and extensive government regulations. The oil and gas industry is intensely competitive and the Resulting Issuer must compete in all aspects of their operations with a number of other entities that may have greater technical ability and/or financial resources. Title to oil and natural gas interests is often not capable of conclusive determination, without incurring substantial expense. For a more detailed description of these risks, and others, see "*Risk Factors*".
Conditional Listing Approval:	The Exchange has conditionally accepted the Transaction, subject to Standard fulfilling all of the requirements of the Exchange.

THE TRANSACTION

Details of the Reorganization and Investment Agreement

The Reorganization and Investment Agreement among Standard and the Initial Investor Group was entered into on November 12, 2018. Pursuant to the Reorganization and Investment Agreement, the parties established the terms and conditions upon which the Private Placement will be completed and the Old Board and Old Executives will be replaced by the New Board and New Executives.

The Private Placement

Subject to the terms and conditions of the Reorganization and Investment Agreement, the parties agreed to complete the Private Placement of up to 1,000,000,000 Units or Standard Shares to subscribers for gross proceeds of up to $20 million, at a deemed issue price of $0.02 per Unit or Standard Shares (on a pre-Consolidated basis), provided that, the Initial Investor Group shall be entitled to increase the size of the financing to $25 million. As of the date of the Filing Statement, approximately $18 million has been raised.

Units will be issued to subscribers that are to become members of the new management team and the New Board along with subscribers that are identified by the new management team. Each Unit will be comprised of one Standard Share and one Performance Warrant. Each Performance Warrant will entitle the holder to purchase one Standard Share at a price of $0.02 (on a pre-Consolidated basis) for a period of five years. The Performance Warrants will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the Standard Shares (the "**Market Price**") equaling or exceeding $0.03 (on a pre-Consolidated basis), an additional one-third upon the Market Price equaling or exceeding $0.04 (on a pre-Consolidated basis) and a final one-third upon the Market Price equaling or exceeding $0.05 (on a pre-Consolidated basis). In addition, in the event the Market Price equals or exceeds $0.08 (on a pre-Consolidated basis), each Performance Warrant shall be exercisable for 1.5 Standard Shares, provided that, at the time of exercise in respect of the additional 0.5 of a Standard Share per Performance Warrant, the Standard Shares are listed on the facilities of a recognized stock exchange (other than the TSXV), the Standard Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the TSXV).

Replacement of Directors and Executives

Concurrent with the closing of the Private Placement: (i) the Old Board shall be reconstituted through the resignations of all the members of the Old Board and the members of the New Board shall be appointed to fill the vacancies created by such resignations; and (ii) the Old Executives shall resign and the New Executives shall be appointed by the New Board as officers of Standard.

Rights Offering

Pursuant to the terms of the Reorganization and Investment Agreement, Standard has agreed to conduct a rights offering to the Standard Shareholders on the terms identified below. The rights offering will not occur until after the completion of the Transaction.

(a) Standard shall issue one right ("**Right**") for each Standard Share held to each Standard Shareholder of record on the record date (the "**Record Date**") for the Rights Offering;

(b) each four Rights shall entitle the holder thereof to acquire one Standard Share for an exercise price of $0.02 (on a pre-Consolidated basis);

(c) the Rights Offering shall be effected by way of a rights offering circular in reliance on the registration and prospectus exemptions contained in Section 2.1 of National Instrument 45-106 Prospectus Exemptions and in compliance with applicable securities laws;

(d) as soon as practicable after the date of the Reorganization and Investment Agreement, Standard shall prepare and file with the applicable securities authorities and the TSXV a rights offering circular in the form required under applicable securities laws and shall use all commercially reasonable efforts to obtain any required approvals from the applicable securities authorities and the TSXV to proceed with the Rights Offering;

(e) Standard and the Initial Investor Group shall cooperate in the preparation, filing and mailing of the rights offering circular and Standard shall provide the Initial Investor Group and its representatives with a reasonable opportunity to review and comment on the rights offering circular and any other relevant documentation and shall incorporate all reasonable comments thereon;

(f) no fractional Standard Shares shall be issued in connection with the Rights Offering with any fractional entitlements rounding to the nearest whole number; and

(g) the expiry date for the Rights Offering shall not be less than 21 days or greater than 90 days from the date that the rights offering circular is sent to Standard Shareholders.

Representations, Warranties and Covenants

The Reorganization and Investment Agreement contains certain customary representations and warranties of each of Standard and the Initial Investor Group relating to, among other things, their authority to enter into the Reorganization and Investment Agreement and to consummate the matters contemplated therein. Further, the parties have agreed to use their commercially reasonable efforts to obtain all regulatory and other consents, waivers and approvals required for the consummation of the Reorganization and Investment Agreement.

In addition, pursuant to the Reorganization and Investment Agreement, Standard has covenanted, among other things, to maintain its business and not to take certain actions outside the ordinary course.

Conditions of the Reorganization

Completion of the Reorganization and the matters contemplated by the Reorganization and Investment Agreement is subject to compliance with the terms and conditions set forth in the Reorganization and Investment Agreement. Unless all such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the transactions contemplated by the Reorganization and Investment Agreement will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all. Such conditions are summarized below.

Mutual Conditions

The obligations of Standard and the Initial Investor Group to consummate the matters contemplated in the Reorganization and Investment Agreement are subject to the satisfaction of the following conditions:

(a) the TSXV shall have conditionally approved the completion of the Private Placement and the change of management on terms and conditions satisfactory to the Initial Investor Group and Standard, each acting reasonably; and

(b) there shall have been no action taken under applicable laws, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any governmental entity, that;

(i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the transactions contemplated therein; or

(ii) results in a judgement preventing, or assessment of material damages directly or indirectly relating to, the transactions contemplated therein.

Initial Investor Group Conditions

The obligations of the Initial Investor Group to consummate the transactions contemplated in the Reorganization and Investment Agreement are subject to the satisfaction, on or before the Closing Date or such other time specified in the relevant condition precedent, of the following conditions precedent:

(a) Standard shall have furnished the Initial Investor Group with certified copies of the resolutions duly passed by the Standard Board approving the Reorganization and Investment Agreement and the consummation of the transactions contemplated therein;

(b) the representations and warranties made by Standard in the Reorganization and Investment Agreement shall be true and correct as of the Closing Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by the Reorganization and Investment Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result in, or would not reasonably be expected to have, a Material Adverse Effect (as such term is defined in the Reorganization and Investment Agreement) or would not, or would not reasonably be expected to, materially impede completion of the Private Placement and the change of management, and Standard shall have provided to the Initial Investor Group a certificate of two senior officers certifying such accuracy on the closing date on behalf of Standard and not in their personal capacities, and the Initial Investor Group will have no knowledge to the contrary;

(c) no Material Adverse Change (as such term is defined in the Reorganization and Investment Agreement) in respect of Standard shall have occurred from and after the date hereof and prior to the Closing Date;

(d) Standard shall have complied with its covenants and obligations herein, except where the failure to comply with its covenants and obligations, individually or in the aggregate, would not or would not reasonably be expected to have a Material Adverse Effect or would not, or would not reasonably be expected to, materially impede completion of the Private Placement and the change of management, and Standard shall have provided to the Initial Investor Group a certificate of two senior officers certifying compliance with such covenants on the closing date on behalf of Standard and not in their personal capacities, and the Initial Investor Group will have no knowledge to the contrary;

(e) on or before the Closing Date, all outstanding Standard Options shall have been exercised in accordance with the provisions of the Standard Stock Option Plan or terminated in accordance with their terms for nominal consideration;

(f) the Initial Investor Group shall be satisfied, acting reasonably, that immediately upon the completion of the Private Placement: (i) each of Standard and the Old Executives will deliver mutual releases as provided in section 2.2(b) of the Reorganization and Investment Agreement; and (ii) the Old Board and the Old Executives shall resign and the Old Board shall have taken such actions as are reasonably necessary to facilitate the appointment of the members of the New Board to fill the vacancies caused by the resignation of the members of the Old Board without the necessity of holding a meeting of the Standard Shareholders;

(g) Standard shall have provided to the Initial Investor Group, copies of all bank statements and out-going cheques from July 1, 2018 to the Closing Date;

(h) Standard shall have paid all rentals that are due on or before November 30, 2018 pursuant to any surface leases, mineral leases, easements, rights of way and shall provide evidence of such payment to the Initial Investor Group 5 business days prior to the closing date;

(i) Standard shall have obtained "run-off" directors' and officers' liability insurance, in a form acceptable to the Initial Investor Group, acting reasonably, providing coverage on a "trailing" or "run-off" basis for a period of not less than five years from the closing date for all present and former directors and officers of Standard with respect to claims arising from facts or events which occurred prior to the closing date, provided that the total cost of such policy shall not exceed $18,437; and

(j) all necessary consents required as of the date hereof shall have been obtained by Standard.

Standard Conditions

The obligations of Standard to consummate the transactions contemplated by the Reorganization and Investment Agreement are subject to the satisfaction, on or before the Closing Date or such other time specified in the relevant condition precedent, of the following conditions precedent:

(a) the representations and warranties made by each member of the Initial Investor Group in the Reorganization and Investment Agreement shall be true and correct as of the Closing Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by the Reorganization and Investment Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not or would not reasonably be expected to materially impede completion of the Private Placement and the change of management, and each member of the Initial Investor Group shall have provided to Standard a certificate certifying such accuracy on the Closing Date, and Standard will have no knowledge to the contrary;

(b) the Initial Investor Group shall have complied with its covenants and obligations herein, except where the failure to comply with its covenants or obligations, individually or in the aggregate, would not or would not reasonably be expected to materially impede completion of the Private Placement and the change of management, and each member of the Initial Investor Group shall have provided to Standard a certificate certifying compliance with such covenants on the Closing Date, and Standard will have no knowledge to the contrary;

(c) properly executed unit subscription agreements or share subscription agreements, as applicable, together with certified cheques or bank drafts or other forms of payment and other required items, have been delivered by the applicable subscribers as contemplated in section 2.1 of the Reorganization and Investment Agreement to the satisfaction of Standard, acting reasonably;

(d) Standard shall be satisfied, acting reasonably, that immediately upon completion of the Private Placement and subject to the resignations of the Old Board and Old Executives, that the members of the New Board shall be appointed to fill the vacancies created by the resignations of the Old Board without the necessity of a meeting of the Standard Shareholders and the New Executives shall be appointed as officers of Standard;

(e) the Equity Purchase Agreement shall not have been amended or terminated; and

(f) the Initial Investor Group shall use reasonable commercial efforts to complete the transactions contemplated pursuant to the Equity Purchase Agreement as soon as reasonably practicable.

Details of the Equity Purchase Agreement

The Equity Purchase Agreement among Standard, Gulf Pine GP, Gulf Pine LP, and the Vendors, including Pine Brook, Calvin Yau, Erin Buschert, Marc Houle, Jim McFadyen, Gary McMurren, Karen Tanaka and the Atkinson Family Trust was entered into on November 12, 2018. Pursuant to the Equity Purchase Agreement, the parties established the terms and conditions upon which Standard would acquire the Gulf Pine Units and the Gulf Pine Shares.

The Equity Purchase and Sale

Subject to the terms and conditions of the Equity Purchase Agreement, the Vendors agreed to sell the Gulf Pine Shares and the Gulf Pine Units to Standard and Standard agreed to purchase the Gulf Pine Shares and the Gulf Pine Units from the Vendors on the Closing Date. Standard agreed to purchase the Gulf Pine Units for aggregate consideration of USD$3,425,000.00 and the Gulf Pine Shares for aggregate consideration of USD$100.00.

Gulf Pine and the Vendors have agreed to cooperate with Standard in respect of any corporate restructuring which is desired to be undertaken by Standard in conjunction with the Transaction provided that:

(a) the Vendors will be in the same economic position upon completion of the Transaction as they would have been had such restructuring not been implemented; and

(b) all costs and expenses (including the fees and disbursements of legal counsel, investment advisors and accounts) incurred in connection with such restructuring will be paid by Standard.

Representations, Warranties and Covenants

The Equity Purchase Agreement contains certain customary representations and warranties of each of Standard, Gulf Pine and the Vendors relating to, among other things, their authority to enter into the Equity Purchase Agreement and to consummate the matters contemplated therein. Pursuant to the Equity Purchase Agreement, the parties have agreed to advise each other of material changes. Further, the parties have agreed to use their commercially reasonable efforts to obtain all regulatory and other consents, waivers and approvals required for the consummation of the Equity Purchase Agreement.

In addition, pursuant to the Equity Purchase Agreement, Gulf Pine has covenanted, among other things, to maintain its business and not to take certain actions outside the ordinary course.

Conditions of the Equity Purchase Agreement

Completion of the matters contemplated by the Equity Purchase Agreement is subject to compliance with the terms and conditions set forth in the Equity Purchase Agreement. Unless all such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the transactions contemplated by the Equity Purchase Agreement will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all. Such conditions are summarized below.

Mutual Conditions

The obligations of parties to consummate the matters contemplated in the Equity Purchase Agreement are subject to the satisfaction of the following conditions:

(a) the TSXV Approval (as such term is defined in the Equity Purchase Agreement) shall have been obtained on terms and conditions satisfactory to the parties, each acting reasonably; and

(b) no governmental authority shall have enacted, issued, promulgated, applied for (or advised any of the parties in writing that it has determined to make such application), enforced or entered any applicable law (whether temporary, preliminary or permanent) that makes illegal, restrains, enjoins or otherwise prohibits consummation of, or dissolves the transactions contemplated by the Equity Purchase Agreement.

Standard Conditions

The obligations of Standard to consummate the transactions contemplated in the Equity Purchase Agreement are subject to the satisfaction, on or before the Closing Date or such other time specified in the relevant condition precedent, of the following conditions precedent:

(a) all covenants of Gulf Pine and the Vendors under the Equity Purchase Agreement to be performed on or before the closing time (without giving effect to, applying or taking into consideration any Material Adverse Effect, Material Adverse Change (as such terms are defined in the Equity Purchase Agreement) or other materiality qualifications already contained in such covenants) shall have been duly performed by Gulf Pine and the Vendors in all material respects; and Standard shall have received a certificate of Gulf Pine and the Vendors addressed to Standard dated the closing time (on Gulf Pine's and the Vendors' behalf and without personal liability), confirming the same as at the closing time;

(b) the representations and warranties of Gulf Pine and the Vendors set forth in the Equity Purchase Agreement shall be true and correct (for representations and warranties qualified as to Material Adverse Effect, Material Adverse Change or other materiality qualification, true and correct in all respects, and for all other representations and warranties, true and correct in all respects, except to the extent that the failure or failures of such representations and warranties to be so true and correct, individually or in the aggregate, would not have a Material Adverse Effect on Gulf Pine) as of the date of the Equity Purchase Agreement and as of the closing time, as though made on and as of the closing time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date). Standard shall have received a certificate of Gulf Pine and the Vendors addressed to Standard and dated the closing time (on Gulf Pine's and the Vendors' behalf and without personal liability), confirming the above as at the closing time;

(c) Gulf Pine shall have furnished Standard with certified copies of the resolutions duly passed by the Gulf Pine Board approving the Equity Purchase Agreement and the consummation of the transactions contemplated by the Equity Purchase Agreement;

(d) Pine Brook shall have furnished Standard with certified copies of the resolutions duly passed by Pine Brook approving the Equity Purchase Agreement and the consummation of the transactions contemplated by the Equity Purchase Agreement;

(e) no Material Adverse Change respecting Gulf Pine shall have occurred after the date of the Equity Purchase Agreement;

(f) the Employee Obligations (as such term is defined in the Equity Purchase Agreement) shall be paid on the Closing Date by Gulf Pine and Standard shall have received a certificate of Gulf Pine addressed to Standard and dated the closing time (on Gulf Pine's behalf and without personal liability), confirming the above as at the closing time;

(g) the Net Debt (as such term is defined in the Equity Purchase Agreement) of Gulf Pine and its subsidiaries, shall not exceed USD $17,500,000, and Gulf Pine shall have provided to Standard a certificate certifying the amount of Net Debt of Gulf Pine at such time;

(h) the directors, officers and employees of Gulf Pine GP will have resigned and entered into mutual releases effective as at the Closing Time;

(i) all Gulf Pine Series B Units shall have been cancelled;

(j) the transactions contemplated by the Reorganization and Investment Agreement shall have closed; and

(k) as at the closing time, no claims, actions, enquiries, applications, suits, demands, arbitrations, charges, indictments, hearings or other civil, criminal, administrative or investigative proceedings, or other investigations or examinations (whether, for greater certainty, by a governmental authority or any other person) shall be commenced, pending or threatened and no applicable law shall have been proposed, enacted, promulgated or applied, in either case:

  (i) seeking to cease trade, restrict, enjoin, prohibit, materially delay or impose material conditions on the transactions contemplated in the Equity Purchase Agreement or any of the material terms and conditions of any transaction contemplated by the Equity Purchase Agreement or seeking to obtain from Gulf Pine or any of its subsidiaries any material damages directly or indirectly in connection with the transactions contemplated therein;

  (ii) seeking to cease trade, restrict, enjoin, prohibit, materially delay or impose material conditions on the rights of Standard to own, hold or exercise full rights of ownership over the Gulf Pine Shares upon the completion of the transaction contemplated therein or conduct the business conducted by Gulf Pine;

  (iii) seeking to prohibit or restrict the completion of the transaction in accordance with the terms of the Equity Purchase Agreement or otherwise;

  (iv) seeking to prohibit or limit the ownership or operation by Gulf Pine, Standard or any of their respective affiliates of any material portion of the business or assets of Gulf Pine or to compel Standard or any of its affiliates to dispose or divest of or hold separate any material portion of the business or assets of Gulf Pine; or

  (v) seeking to prohibit Standard or any of its affiliates from effectively controlling in any material respect the business or operations of Gulf Pine,

that would, if successful, be reasonably likely to have a Material Adverse Effect on Gulf Pine.

Gulf Pine and Vendor Conditions

The obligation of Gulf Pine and the Vendors to consummate the transactions contemplated by the Equity Purchase Agreement is subject to the satisfaction, on or before the Closing Date or such other time specified, of the following conditions:

(a) all covenants of Standard under the Equity Purchase Agreement to be performed on or before the closing time (without giving effect to, applying or taking into consideration any Material Adverse Effect, Material Adverse Change or other materiality qualifications already contained in such covenants) shall have been duly performed by Standard in all material respects; and Gulf Pine and Pine Brook shall have received a certificate of Standard addressed to Gulf Pine and Pine Brook dated the closing time (on Standard's behalf and without personal liability), confirming the same as at the closing time;

(b) the representations and warranties of Standard set forth in the Equity Purchase Agreement shall be true and correct (for representations and warranties qualified as to Material Adverse Effect, Material Adverse Change or other materiality qualification, true and correct in all respects, and for all other representations and warranties, true and correct in all respects, except to the extent that the failure or failures of such representations and warranties to be so true and correct, individually or in the aggregate, would not have a Material Adverse Effect on Standard) as of the date of the Equity Purchase Agreement and as of the closing time, as though made on and as of the closing time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date). Gulf Pine and Pine Brook shall have received a certificate of Standard addressed to Gulf Pine and Pine Brook and dated the closing time, signed on behalf of Standard (on Standard's behalf and without personal liability), confirming the above as at the closing time; and

(c) Standard shall have furnished Gulf Pine and Pine Brook with certified copies of the resolutions duly passed by the Standard Board approving the Equity Purchase Agreement and the consummation of the transactions contemplated by the Equity Purchase Agreement.

RISK FACTORS

Investment in the Standard Shares or the Resulting Issuer Shares must be regarded as highly speculative due to the nature of Standard's business and the proposed business of the Resulting Issuer. The following are risk factors associated with Standard, the Transaction and the Resulting Issuer.

The risks described below are not the only risks facing Standard and Resulting Issuer. Additional risks not presently known to Standard or that Standard currently deems immaterial may also impair Standard's or the Resulting Issuer's business operations. If any of the following risks actually occur, Standard's and the Resulting Issuer's business, financial condition and operating results could be materially and adversely affected.

Overview

The Resulting Issuer's business is expected to consist of the exploration and production of crude oil and natural gas projects, with producing properties primarily in the U.S. Gulf Coast states. There are a number of inherent risks associated with the exploration and production of oil and gas reserves. Many of these risks are beyond the control of the Resulting Issuer.

Risks relating to Standard and the Resulting Issuer

Nature of Business

Standard, along with its peer companies in the Western Canadian Sedimentary Basin, face ongoing challenges with respect to commodity prices, competition for field services, an increasingly strict regulatory environment, and access to capital. Standard's capital reserves are limited, which restricts the size and type of oil and gas projects in which Standard considers investing in. Due to significant pipeline capacity restrictions in shipping oil and gas from Alberta, the Alberta oil and gas industry is experiencing discounts in commodity prices relative to the industry elsewhere. Subject to the completion of the Transaction, Standard's continued operation will be dependent upon its ability to generate operating revenues in this environment and to procure additional financing.

An investment in Standard or the Resulting Issuer should be considered highly speculative due to the nature of the Resulting Issuer's anticipated involvement in the exploration for, and the acquisition, production and marketing of, oil and natural gas reserves and its current stage of development. Oil and gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Resulting Issuer.

Furthermore, the New Executive's exploration and development experience has been gained principally from Gulf Pine's properties in the States of Alabama and Mississippi. The New Executive's experience in these southeast Gulf Coast states is not necessarily transferrable to other geographical areas or basins, notwithstanding that similar geological structures or formations may exist. Accordingly, the New Executive's success in Gulf Pine's operations is not a predictor of success in its exploration and development of concessions in other geographical areas or basins. Results of exploration in other basins may differ materially as a result of different environmental conditions, regulatory requirements or other factors.

Commodity Price Volatility

The Resulting Issuer's results of operations and financial condition are dependent on the prevailing prices of crude oil and natural gas. Crude oil and natural gas prices have fluctuated widely in the recent past and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Resulting Issuer's control. Crude oil and natural gas prices are impacted by a number of factors including, but not limited to: the global supply of and demand for crude oil and natural gas; global economic conditions; the actions of the Organization of Petroleum Exporting Countries ("**OPEC**"); government regulation; political stability; the ability to transport crude to markets; developments related to the market for liquefied natural gas; the availability and prices of alternate fuel sources; and weather conditions. In addition, significant growth in crude production volumes in western Canada and the northern United States has resulted in pressure on transportation and pipeline capacity, contributing to the widening of the light oil pricing differential between WTI and Cromer/WCS/Hardisty, resulting in fluctuations in the price of oil and natural gas. All of these factors are beyond the Resulting Issuer's control and can result in a high degree of price volatility.

Fluctuations in currency exchange rates further compound this volatility when the commodity prices, which are generally set in United States dollars, are stated in Canadian dollars. The Resulting Issuer's financial performance also depends on revenues from the sale of commodities which differ in quality and location from underlying commodity prices quoted on financial exchanges. Of particular importance are the price differentials between the Resulting Issuer's light/medium oil and heavy oil (in particular the light/heavy differential) and quoted market prices. Not only are these discounts influenced by regional supply and demand factors, they are also influenced by other factors such as transportation costs, capacity and interruptions; refining demand; the availability and cost of diluent used to blend and transport product; and the quality of the oil produced, all of which are beyond the Resulting Issuer's control. See also "*Variations in Foreign Exchange Rates and Interest Rates*".

Fluctuations in the price of commodities and associated price differentials may impact the value of the Resulting Issuer's assets and the ability to maintain its business and to fund growth projects. Prolonged periods of commodity price depression and volatility may also negatively impact the Resulting Issuer's ability to meet guidance targets and meet all of its financial obligations as they come due. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Resulting Issuer's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations, prospects and the level of expenditures for the development of oil and natural gas reserves, including delay or cancellation of existing or future drilling or development programs or curtailment in production.

Any material or sustained decline in prices could result in a reduction of the Resulting Issuer's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of the Resulting Issuer's reserves. The Resulting Issuer might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Resulting Issuer's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities.

Crude oil and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies and OPEC actions. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Resulting Issuer may, in part, be determined by the Resulting Issuer's borrowing base. A sustained material decline in prices from historical average prices could reduce the Resulting Issuer's borrowing base, therefore reducing the bank credit available to the Resulting Issuer which could require that a portion, or all, of the Resulting Issuer's bank debt be repaid.

The Resulting Issuer will conduct regular assessments of the carrying value of its assets. If crude oil and natural gas prices decline significantly and remain at low levels for an extended period of time, the carrying value of the Resulting Issuer's assets may be subject to impairment.

Capital Lending Markets

As a result of recent economic uncertainties in the oil and gas industry and, in particular, the lack of risk capital available to the junior resource sector, the Resulting Issuer, along with other junior resource entities, may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings, if available, and possible issuances of debt or equity securities, the Resulting Issuer's ability to fund future capital expenditures is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry, generally, and the Resulting Issuer's securities in particular.

To the extent that external sources of capital become limited, unavailable or available only on onerous terms, the Resulting Issuer's ability to invest and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Markets and Marketing

The marketability and price of crude oil and natural gas that may be acquired or discovered by the Resulting Issuer is, and will continue to be, affected by numerous factors beyond its control. The Resulting Issuer's ability to market its crude oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Resulting Issuer may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and gas business.

Exploration and Production Risks

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

The long term commercial success of the Resulting Issuer depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Resulting Issuer will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Resulting Issuer may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow outs, cratering, sour gas releases, fires, spills or leaks. These risks could result in personal injury, loss of life, and environmental or property damage. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial conditions.

Fiscal and Royalty Regimes

In addition to federal regulation, each province and most U.S. states have legislation and regulations which govern land tenure, drilling and construction permits, royalties, production rates, environmental protection and other matters. The applicable royalty regime is a significant factor in the profitability of oil and natural gas production. In Canada, royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on well productivity, geographical location, field discovery data and the type or quality of the petroleum product produced.

As of the date of this Filing Statement, there are no significant restrictions on the repatriation of capital and distribution of earnings that will affect the Resulting Issuer's U.S. operations. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings will not affect the Resulting Issuer in the future.

Amendments to domestic or foreign taxation laws and regulations in the countries in which the Resulting Issuer will have assets or operations which alter tax rates and/or capital allowances could have a material adverse impact on the Resulting Issuer.

The Resulting Issuer is subject to the risk that currencies will not be convertible at satisfactory rates, that fluctuations in the conversion rates between Canadian and U.S. currencies may result in higher general and administrative expenses or may not accurately reflect the relative value of goods and services available or required. Funds raised through equity issuances are generally raised in Canadian dollars whereas the majority of the Resulting Issuer's expenditures will be typically incurred in other currencies and therefore currency fluctuations could have a material impact on the Resulting Issuer's results of operations. The exchange rates between the Canadian and U.S. currencies have varied substantially recently. The Resulting Issuer does not currently anticipate using exchange rate derivatives to manage exchange rate risks.

Trade Relations

World-wide political and economic risks seem to be intensifying and there are added risks and uncertainties around the impact of new policies proposed by the U.S. government, including, but not limited to, the renegotiation of international trade agreements and the implementation of the newly announced United States-Mexico-Canada Agreement; the potential changes to U.S. trade policies; and tax reform. Major developments in these areas could have a material adverse effect on the Resulting Issuer.

Further, unlegislated proposals from the government of the United States have contemplated prohibitive actions against foreign businesses competing in the United States economy. It is uncertain whether the government of the United States will proceed with any proposed or contemplated actions, or the effects those actions may have on the Resulting Issuer.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time.

Numerous executive, legislative and regulatory proposals affecting the oil and gas industry could be introduced by various federal and state authorities. While it is currently anticipated that the President and Congress of the United States will attempt to move away from the trend of proposing stricter standards and increasing oversight and regulation at the federal level, it is possible that other proposals affecting the oil and gas industry could be enacted or adopted in the future, which could result in increased costs or additional operating restrictions that could have an effect on demand for oil and natural gas or prices at which it can be sold.

Insurance

The Resulting Issuer's involvement in the exploration for and development of oil and gas properties may result in the Resulting Issuer becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Resulting Issuer will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Resulting Issuer may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to the Resulting Issuer. The occurrence of a significant event that the Resulting Issuer is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Resulting Issuer's financial position, results of operations or prospects.

Project Risks

The Resulting Issuer is expected to manage and participate in a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Project cost estimates may not be accurate due to a lack of history of comparable projects. Furthermore, significant project cost over-runs could make a project uneconomic.

The Resulting Issuer's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the Resulting Issuer's control, including: the availability of processing capacity; the availability and proximity of pipeline capacity; the availability of storage capacity; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; changes in regulations; the availability and productivity of skilled labour; and the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Resulting Issuer 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.

Substantial Capital Requirements and Liquidity

The Resulting Issuer anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Resulting Issuer's future revenues or reserves decline, the Resulting Issuer may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash flow from operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Resulting Issuer. Moreover, future activities may require the Resulting Issuer to alter its capitalization significantly. The inability of the Resulting Issuer to access sufficient capital for its operations could have material adverse effect on the Resulting Issuer's financial condition, results of operations or prospects.

Competition

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

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

The Resulting Issuer's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Cost of New Technologies

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Resulting Issuer. There can be no assurance that the Resulting Issuer will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Resulting Issuer or implemented in the future may become obsolete. In such case, the Resulting Issuer's business, financial condition and results of operations could be materially adversely affected. If the Resulting Issuer is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise. The Resulting Issuer's actual interest in properties may vary from its records. If a title defect does exist, it is possible that the Resulting Issuer may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title, to the oil and natural gas properties the

Resulting Issuer controls that, if successful or made into law, could impair the Resulting Issuer's activities on them and result in a reduction of the revenue received by the Resulting Issuer.

Vendors of oil and gas interests have not in the past and may not in the future warranty title to assets acquired by the Resulting Issuer in the United States. The nature of the oil and gas leasing and title regime in the U.S. basins in which the Resulting Issuer will hold an interest is such that interests in large tracts of acreage may be represented by hundreds or thousands of leases and obtaining absolute confirmation of chain of title would be time consuming and expensive. The Resulting Issuer will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties and will conduct an extensive title review of a particular area prior to commencement of drilling. However, there can be no assurance of title. Title may be subject to unregistered liens and other defects which, if affecting a core area, could have a material adverse effect on the Resulting Issuer, its financial condition, results of operations and prospects.

Environmental Risks

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 international conventions and federal, state, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Resulting Issuer to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of the Resulting Issuer will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Resulting Issuer's financial condition, results of operations or prospects.

Reserve and Resource Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids resources, reserves and cash flows to be derived therefrom, including many factors beyond the Resulting Issuer's control. In estimating reserves, the chance of commerciality is effectively 100%. For prospective resources, the chance of commerciality will be the product of the chance that a project will result in a discovery of petroleum or natural gas and the chance that an accumulation will be commercially developed. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

The reserve and associated cash flow information and estimates represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Resulting Issuer's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Actual future net revenue from the Resulting Issuer's assets will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates, and such variations could be material.

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond the Resulting Issuer's control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of recoverable resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable natural gas and the classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Geological risking of prospective resources addresses the probability of success for the discovery of petroleum; this risk analysis is conducted independently of probabilistic estimates of petroleum volumes and without regard to the chance of development. Principal risk elements of the petroleum system include: (i) trap and seal characteristics; (ii) reservoir presence and quality; (iii) source rock capacity, quality and maturity; and (iv) timing, migration and preservation of petroleum in relation to trap and seal formation. Geological risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators.

Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources.

Resources estimates may require revision based on actual production experience. Market price fluctuations of natural gas prices may render uneconomic the recovery of the resources.

Liability Management

Alberta has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder becomes defunct. These programs generally involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is required. Changes of the ratio of the Resulting Issuer's deemed assets to deemed liabilities or changes to the requirements of liability management programs may result in significant increases to the security that the Resulting Issuer must post.

Climate Change

The Resulting Issuer's exploration and production facilities and other operations and activities will emit greenhouse gases and the Resulting Issuer may be required to comply with greenhouse gas emissions legislation at the provincial or federal level. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Resulting Issuer and its operations and financial condition.

Reserve Replacement

The Resulting Issuer's future oil and natural gas reserves, production, and cash flows to be derived therefrom will be dependent on the Resulting Issuer successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Resulting Issuer may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Resulting Issuer's reserves will depend not only on the Resulting Issuer's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Resulting Issuer's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

In addition to the Acquisition, the Resulting Issuer is expected to make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as realizing the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Resulting Issuer. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management of the Resulting Issuer will assess the value and contribution of individual properties and other assets. In this regard, non-core assets are expected to be periodically disposed of, so that the Resulting Issuer can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Resulting Issuer, if disposed of, could realize less than their carrying amount on the financial statements of the Resulting Issuer.

Operational Dependence

Other companies may operate some of the assets in which the Resulting Issuer will have an interest. In such cases, the Resulting Issuer will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Resulting Issuer's financial performance. The Resulting Issuer's return on assets operated by others may therefore depend upon a number of factors that may be outside of the Resulting Issuer's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Reliance on Key Personnel

The Resulting Issuer's success will depend in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects. The Resulting Issuer may not have any key person insurance in effect. The contributions of the management team to the Resulting Issuer's immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the

Resulting Issuer will be able to attract and retain all personnel necessary for the development and operation of its business.

Management of Growth

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Resulting Issuer to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

The Resulting Issuer's properties are expected to be held in the form of licences and leases and working interests in licences and leases. If the Resulting Issuer or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Resulting Issuer's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Resulting Issuer's results of operations and business.

Permits and Licences

The operations of the Resulting Issuer may require licences and permits from various governmental authorities. There can be no assurance that the Resulting Issuer will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its properties.

Additional Funding Requirements

The Resulting Issuer's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Resulting Issuer may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Resulting Issuer to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Resulting Issuer's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Resulting Issuer's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Resulting Issuer's cash flow from operations and current cash balance is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favorable terms.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian domiciled producers is therefore affected by the Canadian/United States dollar exchange rate, which will fluctuate over time. Future Canadian/United States exchange rates could accordingly impact the future value of the Resulting Issuer's reserves as determined by independent evaluators. Furthermore, an increase in interest rates could result in a significant increase in the amount the Resulting Issuer pays to service debt.

Issuance of Debt

From time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Resulting Issuer's debt levels above industry standards. The level of the Resulting Issuer's indebtedness from time to time could impair the Resulting Issuer's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. The Resulting Issuer's ability to meet its debt service obligations will depend on the Resulting Issuer's future operations which will be subject to prevailing industry conditions and other factors, many of which are beyond the control of the Resulting Issuer. As certain of the indebtedness of the Resulting Issuer would bear interest at rates which fluctuate with prevailing interest rates, increases in such rates would increase the Resulting Issuer's interest payment obligations and could have a material adverse effect on the Resulting Issuer's financial condition and results of operations. Further, the Resulting Issuer's indebtedness would be secured by substantially all of the Resulting Issuer's assets. In the event of a violation by the Resulting Issuer of any of its loan covenants or any other default by the Resulting Issuer on its obligations relating to its indebtedness, the lender could declare such indebtedness to be immediately due and payable and, in certain cases, foreclose on the Resulting Issuer's assets. In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Hedging

From time to time, the Resulting Issuer may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Resulting Issuer will not benefit from such increases. Similarly, from time to time the Resulting Issuer may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Resulting Issuer will not benefit from its fluctuating exchange rate.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Resulting Issuer and may delay exploration and development activities.

Litigation

In the normal course of the Resulting Issuer's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Resulting Issuer and as a result, could have a material adverse effect on the Resulting Issuer's assets, liabilities, business, financial condition and results of operations.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of Western Canada and the United States. Standard is not aware that any claims have been made in respect of its assets the Gulf Pine Assets; however, if a claim arose in respect of such assets, or any of the Resulting Issuer's future properties or assets, and was successful, such claim may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Resulting Issuer may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Resulting Issuer at competitive risk and may cause significant damage to its business. The harm to the Resulting Issuer's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Resulting Issuer will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Conflicts of Interest

Directors and officers of the Resulting Issuer may also be directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Resulting Issuer and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with and are subject to such other procedures and remedies as apply under the *CBCA*.

Dilution

The Resulting Issuer may make future acquisitions or enter into financings or other transactions involving the issuance of its securities which may be dilutive.

Seasonality

The level of activity in the Canadian and American oil and gas industry is influenced by seasonal weather patterns.

In Alberta, wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. In the U.S. Gulf Coast states, the Resulting Issuer's operations may be subjected to adverse weather conditions such as hurricanes, flooding and tropical storms in and around the Gulf of Mexico that can damage oil and natural gas facilities and delivery systems and disrupt operations, which can also increase costs and have a negative effect on the Resulting Issuer's results of operations.

There can be no assurance that these seasonal factors will not adversely affect the timing and scope of the Resulting Issuer's exploration and development activities, which could in turn have a material adverse impact on the Resulting Issuer's business, operations and prospects.

Third Party Credit Risk

The Resulting Issuer may be exposed to third party credit risk through its contractual arrangements with its future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Resulting Issuer, such failures could have a material adverse effect on the Resulting Issuer and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Resulting Issuer's ongoing capital program, potentially delaying the program and the results of such program until the Resulting Issuer finds a suitable alternative partner.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Resulting Issuer cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and cash flows.

Expansion into New Activities

In the future, the Resulting Issuer may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase the Resulting Issuer's exposure to one or more existing risk factors, which may in turn result in the Resulting Issuer's future operational and financial conditions being adversely affected.

Forward-Looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this Filing Statement under the heading "*Special Note Regarding Forward-Looking Statements*" above.

The Transaction

Standard and the Initial Investor Group may not satisfy all requirements or obtain the necessary approvals for completion of the Reorganization on satisfactory terms or at all.

Completion of the Transaction is subject to the completion of a number of conditions, including, but not limited to: (i) the Equity Purchase Agreement must not have been amended or terminated and the Initial Investor Group must use reasonable commercial efforts to complete the transactions contemplated by the Equity Purchase Agreement; (ii) receipt of TSXV conditional approval for the Reorganization; and (iii) receipt of all required regulatory, governmental and third party approvals. There can be no certainty, nor can Standard provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer or the trading price of Resulting Issuer Shares, after completion of the Reorganization.

Standard and Gulf Pine may not satisfy all requirements or obtain the necessary approvals for completion of the Acquisition on satisfactory terms or at all.

Completion of the Acquisition is subject to the completion of a number of conditions, including, but not limited to: (i) all conditions in accordance with the Equity Purchase Agreement must have been satisfied or waived; (ii) receipt of TSXV conditional approval for the Acquisition; and (iii) receipt of all required regulatory, governmental and third party approvals. There can be no certainty, nor can Standard provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer or the trading price of Resulting Issuer Shares, after completion of the Acquisition.

The Equity Purchase Agreement and Reorganization and Investment Agreement may be terminated in certain circumstances, including in the event of a Material Adverse Change with respect to Standard or Gulf Pine.

Each of Standard and Gulf Pine has the right to terminate the Equity Purchase Agreement in certain circumstances, and each of Standard and the Initial Investor Group has the right to terminate the Reorganization and Investment Agreement in certain circumstances. Accordingly, there is no certainty, nor can Standard provide any assurance, that the Equity Purchase Agreement or Reorganization and Investment Agreement will not be terminated before the completion of the Transaction. For example, a party has the right, in certain circumstances, to terminate the Equity Purchase Agreement if a Material Adverse Change (as defined in the Equity Purchase Agreement) occurs with respect to the other party. Although a Material Adverse Change excludes certain events that are beyond the control of the parties, there is no assurance that a change constituting a Material Adverse Change in a party will not occur before the closing date, in which case the other party could elect to terminate the Equity Purchase Agreement and the Transaction would not proceed.

The market price for the Standard Shares may decline.

If any condition precedent to the completion of the Equity Purchase Agreement or Reorganization and Investment Agreement is not completed, the market price of the Standard Shares may decline to the extent that the current market price of the Standard Shares reflects a market assumption that the Transaction will be completed. In such circumstances, there can be no assurance that Standard will be able to find a transaction as attractive to Standard as the Transaction.

Standard and Gulf Pine expect to incur significant costs associated with the Transaction.

Standard and Gulf Pine will collectively incur significant direct transaction costs in connection with the Transaction. Actual direct transaction costs incurred in connection with the Transaction may be higher than expected. Moreover, certain of Standard's and Gulf Pine's costs related to the Acquisition, including costs associated with professional services, must be paid even if the Transaction is not completed.

If the Transaction is not completed Standard's future business and operations could be harmed.

If the Transaction is not completed Standard may be subject to a number of additional material risks, including the following:

- Standard may have lost other opportunities that would have otherwise been available had the Reorganization and Investment Agreement not been executed including, without limitation, opportunities to complete an acquisition of other oil and gas properties that were not pursued as a result of affirmative or negative covenants made by it in the Reorganization and Investment Agreement; and

- Standard may be unable to obtain additional sources of financing or conclude another sale, merger, amalgamation or other business combination on as favourable terms, in a timely manner, or at all.

Standard has not verified the reliability of the information regarding Gulf Pine included in, or which may have been omitted from, this Filing Statement.

All historical information regarding Gulf Pine contained in this Filing Statement, including all Gulf Pine financial information, has been provided by Gulf Pine. Although Standard has no reason to doubt the accuracy or completeness of such information, any inaccuracy or material omission in the information about or relating to Gulf Pine contained in this Filing Statement could result in unanticipated liabilities or expenses, increase the cost of integrating the companies or adversely affect the operational plans of Gulf Pine and its results of operations and financial condition.

Potential undisclosed liabilities associated with the Transaction.

In connection with the Transaction, there may be liabilities that Standard failed to discover or was unable to quantify in its due diligence, which it conducted prior to the execution of the Reorganization and Investment Agreement and the Equity Purchase Agreement and Standard may not be indemnified for some or all of these liabilities.

Operational, environmental and reserves risks.

Acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and will be beyond the control of the Resulting Issuer. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

INFORMATION CONCERNING STANDARD

Corporate Structure

Name and Incorporation

Standard was incorporated as 7015321 Canada Limited on July 22, 2008 under the *CBCA*. On July 31, 2008, Standard, a wholly owned subsidiary of Hathor Exploration Limited ("**Hathor**"), signed a Memorandum of Agreement with Hathor whereby Standard agreed to proceed with a Plan of Arrangement whereby Hathor reorganized its share capital, certain assets of Hathor were transferred to Standard, and a series of share exchanges took place which resulted in the then existing shareholders of Hathor becoming shareholders of Standard. On August 15, 2008, the name of Standard was changed to MAX Minerals Ltd. MAX Minerals Ltd. began trading on the TSXV on April 6, 2009. On September 13, 2010, Standard held its annual meeting at which time Standard received shareholder approval to complete a name change to Standard Exploration Ltd. Commencing October 8, 2010, the Standard Shares began trading on the TSXV under the name “Standard Exploration Ltd.”.

The head office of Standard is located at 1404 Memorial Drive N.W., Calgary, Alberta, Canada, T2N 3E5 and its registered office is located at 1600, 333 – 7th Avenue S.W., Calgary, Alberta, Canada, T2P 2Z1.

General Development of the Business

History

On April 6, 2009, Standard completed the above-mentioned Plan of Arrangement with Hathor whereby each Hathor shareholder received one share of Standard for every 10 shares of Hathor.

On July 6, 2010, Standard completed a strategic acquisition of a privately-owned oil and gas company called Varenna Energy Ltd. ("**Varenna**"). Standard acquired all of the issued and outstanding shares of Varenna for 11,331,750 Standard Shares at a price of $0.36 per Standard Share resulting in total consideration of $4,079,430. Following completion of the acquisition, Varenna became a wholly-owned subsidiary of Standard, and changed the direction and focus of Standard towards being an oil and gas company and away from being a mining venture.

On November 8, 2010, Standard's Chin Coulee 13-27 Battery Construction Project was completed and production came on-stream on schedule in early November. Four Sawtooth pumping oil wells and a water disposal well were pipelined into the 13-27 facility. On December 20, 2010, pursuant to an agreement dated December 6, 2010, Standard sold all its mining claims in British Columbia to a private company.

On August 17, 2012, Canadian Energy Exploration Inc. ("**Canadian Energy**") and Standard entered into an Arrangement Agreement whereby, subject to certain conditions, Standard would acquire all of the issued and outstanding common shares of Canadian Energy in exchange for Standard Shares (the "**Canadian Energy Arrangement**"). The Canadian Energy Arrangement closed on October 22, 2012 and Standard acquired all of the issued and outstanding common shares of Canadian Energy for 0.13986 of a Standard common share for each Canadian Energy common share. Standard issued an aggregate of 17,978,619 Standard Shares, for the acquisition of all of the issued and outstanding Canadian Energy common shares and Canadian Energy became a wholly-owned subsidiary of Standard.

On November 22, 2012, Standard provided notice that it had decided to change the end date of its financial year from March 31 to December 31.

On October 1, 2013, Standard announced that it had completed its acquisition of all of the issued and outstanding shares of Penco Oil and Gas Ltd. in exchange for 6,153,947 Standard Shares.

On December 23, 2014, Standard completed a non-brokered private placement of 32,450,000 Standard Shares issued on a flow-through basis.

On April 7, 2017, Standard completed a disposition of assets at Claresholm, Alberta to a private company for net cash proceeds net of selling costs of $370,500.

On November 12, 2018, Standard entered into the Reorganization and Investment Agreement and the Equity Purchase Agreement. For more information, refer to "*The Transaction*".

<u>The Private Placement</u>

Pursuant to the Private Placement, a total of up to 1,250,000,000 Standard Shares and 254,600,000 Performance Warrants are expected to be issued (each, on a pre-Consolidated basis) for aggregate gross proceeds of up to $25.0 million. As of the date of this Filing Statement, approximately $18 million has been raised.

The new management team and the New Board, together with additional subscribers identified by such persons, are expected to subscribe for a total of 254,600,000 Units at a price of $0.02 per Unit (on a pre-Consolidated basis), each Unit consisting of one Standard Share and one Performance Warrant. The remaining subscribers are expected to subscribe for a total of 995,400,000 Standard Shares at a price of $0.02 per Standard Share (on a pre-Consolidated basis).

Each Unit will be comprised of one Standard Share and one Performance Warrant. Each Performance Warrant will entitle the holder to purchase one Standard Share at a price of $0.02 (on a pre-Consolidated basis) for a period of five years. The Performance Warrants will vest and become exercisable as to one-third upon the Market Price of the Standard Shares equaling or exceeding $0.03 (on a pre-Consolidated basis), an additional one-third upon the Market Price equaling or exceeding $0.04 (on a pre-Consolidated basis) and a final one-third upon the Market Price equaling or exceeding $0.05 (on a pre-Consolidated basis). In addition, in the event the Market Price equals or exceeds $0.08 (on a pre-Consolidated basis), each Performance Warrant shall be exercisable for 1.5 Standard Shares, provided that, at the time of exercise in respect of the additional 0.5 of a Standard Share per Performance Warrant, the Standard Shares are listed on the facilities of a recognized stock exchange (other than the TSXV), the Standard Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the TSXV).

Pursuant to applicable securities laws, all securities issued pursuant to the Private Placement will be subject to a hold period of four months plus one day following the date of issuance of such securities.

Concurrent with the Closing of the Private Placement, the Old Board and Old Executives shall resign and be replaced by the New Board and New Executives.

For more information on the Private Placement see the heading "*The Transaction – Details of the Reorganization and Investment Agreement*".

<u>Selected Financial Information and Management's Discussion and Analysis</u>

The table below sets forth selected financial data derived from:

1. the audited financial statements of Standard as at and for the years ended December 31, 2017 and 2016, together with the notes thereto and the auditors' report thereon; and

2. the unaudited condensed interim financial statements of Standard as at September 30, 2018 and for the three and nine month periods ended September 30, 2018 and 2017, together with the notes thereto.

   (collectively, the "**Standard Financial Statements**")

The table should be read in conjunction with such financial statements, which are attached hereto as Schedule “A”.

	Nine Month period ended September 30, 2018[1]	Year ended December 31, 2017	Year ended December 31, 2016
Total Expenses	$919,151	$1,275,939	$3,835,617
Amounts deferred in connection with the Transaction	Nil	Nil	Nil
Total Assets	$3,451,493	$3,749,114	$4,474,943
Total Liabilities	$1,366,396	$1,337,353	$1,462,013

Note:
(1) Unaudited.

Management's Discussion and Analysis

Standard's Management's Discussion and Analysis for the years ended December 31, 2017 and 2016, and the three and nine month period ended September 30, 2018 (collectively, the "**Standard MD&As**") provide an analysis of the Standard Financial Statements. The Standard Financial Statements and the Standard MD&As are attached hereto as Schedule “A” and Schedule “B”, respectively.

Certain information included in the Standard MD&As is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Special Note Regarding Forward-Looking Statements*" for further details.

Description of the Securities

As of the date of this Filing Statement, Standard is authorized to issue an unlimited number of preferred shares and Standard Shares, of which 121,234,854 Standard Shares are issued and outstanding as fully paid and non-assessable. In addition, 7,600,000 Standard Shares are reserved for issuance pursuant to Standard Options granted to directors and officers of Standard.

The holders of Standard Shares are entitled to dividends as and when declared by the Standard Board, a right to one vote per Standard Share at meetings of Standard Shareholders and, upon liquidation, to share in the remaining assets of Standard as are distributable to such holders.

Stock Option Plan

Standard has implemented the Standard Stock Option Plan for directors, officers, employees, and consultants of Standard, and of its subsidiaries and affiliates, if any, in accordance with the rules and policies of the TSXV. The purpose of the Standard Stock Option Plan, is to advance the interests of Standard by encouraging the directors, officers, employees and consultants of Standard, and of its subsidiaries and affiliates, if any, to acquire Standard Shares, thereby increasing their proprietary interest in Standard, encouraging them to remain associated with Standard and furnishing them with additional incentive in their efforts on behalf of Standard in the conduct of its affairs.

The maximum number of Standard Shares issuable pursuant to the Standard Stock Option Plan and all other security based compensation arrangements of Standard is 10% of the Standard Shares outstanding from time to time, subject to the following additional limitations:

(a) the aggregate number of Standard Shares reserved for issuance to any one person under the Standard Stock Option Plan, together with all other security based compensation arrangements of Standard, must not exceed 5% of the then outstanding Standard Shares (on a non-diluted basis);

(b) in the aggregate, no more than 10% of the issued and outstanding Standard Shares (on a non-diluted basis) may be reserved at any time for insiders under the Standard Stock Option Plan, together with all other security based compensation arrangements of Standard;

(c) the number of securities of Standard issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Standard Shares;

(d) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Standard Shares of Standard in any 12 month period to any one consultant of Standard (or any of its subsidiaries); and

(e) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Standard Shares of Standard in any 12 month period to persons employed to provide investor relations activities. Standard Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the options vesting in any three month period.

The period during which a Standard Option is exercisable may not exceed five years from the date such Standard Option is granted. All Standard Options are non-assignable and non-transferrable. Standard Options may be exercised at a price that shall be fixed by the Standard Board at the time that the Standard Option is granted. The price which the Standard Shares may be acquired upon exercise of a Standard Option may not be less than the price permitted under the rules of any stock exchange on which the Standard Shares are listed. The Standard Option vesting provisions are determined by the Standard Board at the time of grant.

If prior to the exercise of a Standard Option, the holder ceases to be a director, officer, employee or consultant of Standard for any reason other than death, the Standard Option may be exercised within the earlier of up to 90 days after such cessation or the expiry of the option, but only to the extent that the holder was entitled to exercise the option at the date of cessation. In the case of the death of an optionee, the Standard Option may be exercised within the earlier of up to 12 months after such death or the expiry of the Standard Option, but only to the extent that the holder was entitled to exercise the Standard Option at the date of death.

The Standard Board may terminate or discontinue the Standard Stock Option Plan at any time without the consent of the participants under the Standard Stock Option Plan provided that such termination or discontinuance shall not alter or impair any option previously granted under the Standard Stock Option Plan.

Prior Sales

During the twelve months preceding the date of this Filing Statement, no securities have been issued by Standard.

Stock Exchange Price

The outstanding Standard Shares are traded on the TSXV under the trading symbol "SDE". The following table sets forth the price range and trading volume of the Standard Shares as reported by the TSXV for the periods indicated.

Period	High ($)	Low ($)	Volume
Monthly			
Dec-2018 (1-14)[(1)]	0.035	0.025	2,641,050
Nov-2018	0.04	0.015	25,278,218
Oct-2018	0.02	0.01	4,180,889
Sep-2018	0.02	0.01	9,299,476
Aug-2018	0.02	0.01	4,713,532
Jul-2018	0.02	0.01	747,758

Period	High ($)	Low ($)	Volume
Quarterly			
Q2-2018	0.02	0.01	5,583,738
Q1-2018	0.04	0.01	37,024,298
Q4-2017	0.04	0.01	33,457,503
Q3-2017	0.02	0.01	9,376,148
Q2-2017	0.02	0.01	6,443,945
Q1-2017	0.02	0.01	6,473,146
Q4-2016	0.01	0.02	1,188,487

Note:
(1) The Standard Shares were halted from trading on December 17, 2018.

Executive Compensation

Compensation Discussion and Analysis

Standard has a Corporate Governance and Compensation Committee consisting of V.E. Dale Burstall and David V. Richards (independent). Pursuant to NI 52-110, V.E. Dale Burstall is not independent by virtue of being legal counsel of Standard. Standard's compensation policies and programs are designed to be competitive with comparable resource companies and to recognize and reward executive performance consistent with the success of Standard's business. These policies and programs are intended to attract and retain capable and experienced people. The Corporate Governance and Compensation Committee's role and philosophy is to ensure that Standard's compensation goals and objectives, as applied to the actual compensation paid to Standard's CEO and other executive officers, are aligned with Standard's overall business objectives and with Standard Shareholder interests.

Philosophy and Objectives

The compensation program for the senior management of Standard is designed to ensure that the level and form of compensation achieves certain objectives, including:

(a) attracting and retaining talented, qualified and effective executives;

(b) motivating the short and long-term performance of these executives; and

(c) better aligning their interests with those of the Standard Shareholders.

In compensating its senior management, Standard has employed a combination of base salary and equity participation through the Standard Stock Option Plan.

Elements of the Compensation Program

The significant elements of compensation awarded to the Named Executive Officers (as defined herein) are a cash salary, bonus and stock options. Standard does not presently have a long-term incentive plan for its Named Executive Officers. The Board reviews annually the total compensation package of each of Standard's executives on an individual basis, against the backdrop of the compensation goals and objectives described above.

Cash Salary and Bonus

As a general rule, Standard seeks to offer its Named Executive Officers a compensation package that is in line with that offered by other companies in the industry, and as an immediate means of rewarding the Named Executive Officer for efforts expended on behalf of Standard and related outcomes and results. The Standard Board acknowledges that payment of such salary may impact on other elements of the compensation package to a particular Named Executive Officer; for example, the lower annual salary may be a factor when considering bonuses and granting stock options.

Equity Participation

Standard believes in encouraging its executives and employees to become Standard Shareholders to align their interests with those of its Standard Shareholders. Standard Options that are granted to senior executives take into account a number of factors, including the amount and term of options previously granted and base salaries and competitive factors. Standard Options are generally granted to senior executives which vest on terms established by the Standard Board.

Stock Options

The Standard Stock Option Plan is intended to emphasize management's commitment to the growth of Standard and the enhancements of Standard Shareholders' equity through, for example, improvements in its resource base and share price increments.

Perquisites and Other Personal Benefits

Standard's Named Executive Officers are not generally entitled to significant perquisites or other personal benefits not offered to Standard's other employees.

Summary Compensation Table

The following table sets forth all annual and long term compensation for the financial years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively, for services in all capacities to Standard and its subsidiaries in respect of individual(s) who were acting as, or were acting in a capacity similar to, a Named Executive Officer.

Name and principal position	Year	Salary ($)	Share-based awards ($)(1)	Option-based awards ($)(2)(3)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans			
Tom MacKay Chief Executive Officer	Dec 31, 2017 Dec 31, 2016 Dec 31, 2015	66,000 66,000 66,000	Nil Nil Nil	Nil Nil 34,020	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	66,000 66,000 100,020
Vincent E. Ghazar Vice President, Finance and Chief Financial Officer	Dec 31, 2017 Dec 31, 2016 Dec 31, 2015	135,000 150,000 150,000	Nil Nil Nil	Nil Nil 17,010	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	135,000 150,000 167,010

Notes:
(1) "**Share-Based Award**" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
(2) "**Option-Based Award**" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
(3) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. See discussion below.

Narrative Discussion

During the financial year ended December 31, 2017, Standard granted nil Standard Options. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of Standard, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The following table sets out all share-based awards and option-based awards outstanding as at December 31, 2017, for each NEO:

	Option-based Awards				Share-based Awards	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)(1)(2)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**
Tom MacKay	150,000 350,000 1,000,000	0.10 0.05 0.05	July 3, 2018 April 1, 2019 February 24, 2020	Nil Nil Nil	N/A	N/A
Vincent E. Ghazar	500,000 500,000	0.05 0.05	April 1, 2019 February 24, 2020	Nil Nil	N/A	N/A

Notes:

(1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.

(2) The aggregate of the difference between the market value of the Standard Shares as at December 30, 2017, being $0.01 per Standard Share, and the exercise price of the options.

None of the awards disclosed in the table above have been transferred at other than fair market value.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out all incentive plans (value vested or earned) during the financial year ended December 31, 2017, for each NEO:

Name and principal position	**Option-based awards – Value vested during the year ($)(1)**	**Share-based awards – Value vested during the year ($)**	**Non-equity incentive plan compensation – Value earned during the year ($)**
Tom MacKay Chief Executive Officer	Nil	Nil	Nil
Vincent E. Ghazar Vice President, Finance and Chief Financial Officer	Nil	Nil	Nil

Note:

(1) Amounts referred to in this column represent the aggregate dollar value that would have been realized by the NEO if the Standard Options had been exercised on the vesting date. Where the share price on the vesting date is lower than the exercise price of the Standard Options a nil value is noted.

Narrative Discussion

The Standard Stock Option Plan previously approved by the Standard Shareholders on September 21, 2017. The details of the Standard Stock Option Plan are described under "*Information Concerning Standard – Stock Option Plan*".

Pension plan benefits

Standard has no pension plans for its directors, officers or employees.

Termination and Change of Control Benefits

Other than as set forth below, Standard is not a party to any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of Standard, its subsidiaries or affiliates or a change in a Named Executive Officer's responsibilities.

Standard entered into a consulting agreement dated April 1, 2013 (the "**Consulting Agreement**") which was subsequently amended on October 1, 2017 with Vincent E. Ghazar and his consulting company to provide to Standard the services of Vice-President, Finance and Chief Financial Officer. The Consulting Agreement may be terminated by the parties thereto by providing 30 days written notice.

Director Compensation

Standard currently has four (4) directors, one (1) of whom, Tom MacKay, is also an NEO. For a description of the compensation paid to the Named Executive Officer of Standard who also acts as a director of Standard, see "*Summary Compensation Table*".

Director Compensation Table

The following table sets forth all compensation provided to directors who are not also Named Executive Officers ("**Other Directors**") of Standard for the financial year ended December 31, 2017.

Name	Fees earned ($)(1)	Share-based Awards ($)(2)	Option-based awards ($)(3)(4)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Alan Breakey	Nil(5)	Nil	Nil	Nil	Nil	Nil	Nil
V.E. Dale Burstall	5,000	Nil	Nil	Nil	Nil	Nil	5,000
David V. Richards	4,500	Nil	Nil	Nil	Nil	Nil	4,500
Peter Sider(6)	5,000	Nil	Nil	Nil	Nil	Nil	5,000

Notes:

(1) Includes all fees awarded, earned, paid or payable in cash for services as a director, including annual retainer fees, committee, chair and meeting fees. Each director was paid $500 for each Standard Board meeting held.

(2) "**Share-Based Award**" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.

(3) "**Option-Based Award**" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
(4) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. See discussion below.
(5) Mr. Breakey received $66,000 of salary in his capacity as Vice-President, Exploration of Standard and not in his capacity as a director.
(6) Mr. Sider resigned as a director of Standard on August 31, 2018.

Narrative Discussion

During the financial year ended December 31, 2017, the directors of Standard, other than Mr. MacKay, acting in the capacity of Chief Executive Officer and Mr. Breakey, acting in the capacity of Vice-President, Exploration, each received $500 compensation for each Standard Board meeting held for the year as listed above. In addition, directors are reimbursed for reasonable expenses incurred in respect of their activities as directors.

During the financial year ended December 31, 2017 Standard granted nil Standard Options to Messrs. MacKay, Breakey, Burstall, and Richards. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of Standard, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

Standard has no pension plan or other arrangement for non-cash compensation to the Other directors, except Standard Options.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Other Director as at December 31, 2017, including awards granted before the most recently completed financial year.

	Option-based Awards				**Share-based Awards**	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)(1)(2)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**
Alan Breakey	150,000 350,000 1,000,000	0.10 0.05 0.05	July 3, 2018 April 1, 2019 February 24, 2020	Nil Nil Nil	N/A	N/A
V.E. Dale Burstall	150,000 350,000 500,000	0.10 0.05 0.05	July 3, 2018 April 1, 2019 February 24, 2020	Nil Nil Nil	N/A	N/A
David V. Richards	150,000 350,000 500,000	0.10 0.05 0.05	July 3, 2018 April 1, 2019 February 24, 2020	Nil Nil Nil	N/A	N/A

Notes:
(1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
(2) The aggregate of the difference between the market value of the Standard Shares as at December 30, 2017, being $0.01 per Standard Share, and the exercise price of the options.

None of the awards disclosed in the table above have been transferred at other than fair market value.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the financial year ended December 31, 2017 for the Other Directors.

Name	Option-based awards – Value vested during the year ($)[1]	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Alan Breakey	Nil	Nil	Nil
V.E. Dale Burstall	Nil	Nil	Nil
David V. Richards	Nil	Nil	Nil

Note:
(1) Amounts referred to in this column represent the aggregate dollar value that would have been realized by the Other Directors if the stock options had been exercised on the vesting date. Where the share price on the vesting date is lower than the exercise price of the stock options a nil value is noted.

Other Compensation

Other than as set forth herein, Standard did not pay any other compensation to executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the financial year ended December 31, 2017, other than benefits and perquisites which did not amount to $10,000 or greater per individual.

Executive Compensation - 2018

The following table sets forth all annual and long term compensation for the interim period from January 1, 2018 to September 30, 2018, for services in all capacities to Standard and its subsidiaries in respect of the NEOs.

Name and principal position	Year	Salary ($)	Share-based awards ($)[1]	Option-based awards ($)[2][3]	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans			
Tom MacKay Chief Executive Officer	January 1, 2018 to September 30, 2018	49,500	Nil	Nil	Nil	Nil	Nil	Nil	49,500
Vincent E. Ghazar Vice-President, Finance and Chief Financial Officer	January 1, 2018 to September 30, 2018	67,500	Nil	Nil	Nil	Nil	Nil	Nil	67,500

Notes:
(1) "**Share-Based Award**" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.

(2) "**Option-Based Award**" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
(3) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. See discussion below.

Arm's Length Transaction

The Transaction is not a Related Party Transaction for the purposes of TSXV policies and Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*. As a result, no meeting of Standard Shareholders is required as a condition of the TSXV to complete the Transaction.

There has been no acquisition of assets or services or provision of assets or services in any transaction within 24 months before the date of this Filing Statement, or in any proposed transaction, where Standard has obtained or proposes to obtain such assets or services from:

(a) any director or officer of Standard;

(b) a securityholder disclosed in this Filing Statement as a principal securityholder, either before or after giving effect to the Transaction; or

(c) an Associate or Affiliate of any of the persons or companies referred to in paragraphs (a) or (b) above.

Legal Proceedings

Other than as set forth below, to the knowledge of the directors and management of Standard, there are no legal proceedings involving Standard, and there are no such proceedings known to Standard to be contemplated.

During 2015, a Standard Shareholder who exercised dissent rights in connection with the Canadian Energy Arrangement filed an application in the Court of Queen's Bench of Alberta to fix the fair value of the dissenting Standard Shareholder's Standard Share. On March 4, 2016, Standard served the Standard Shareholder with a Formal Offer to Settle for 937,032 Standard Shares and reimbursement of legal fees up to $20,000. The Standard Shareholder did not respond and the Formal Offer expired on May 4, 2016.

Auditor, Transfer Agent and Registrar

The auditors of Standard are MNP LLP, Chartered Professional, Licensed Public Accountants, 1500, 640 – 5th Avenue S.W., Calgary, Alberta T2P 3G4.

The transfer agent and registrar of Standard is Computershare Trust Company of Canada, 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

Material Contracts

Standard has not entered into any material contracts and will not enter into any material contracts prior to the Closing, other than the following:

(a) the Reorganization and Investment Agreement; and

(b) the Equity Purchase Agreement.

The material contracts described above may be inspected at the office of Burstall LLP, Suite 1600 Dome Tower, 333 - 7 Avenue S.W., Calgary, Alberta, T2P 2Z1, during ordinary business hours until the Closing and for a period of thirty days thereafter.

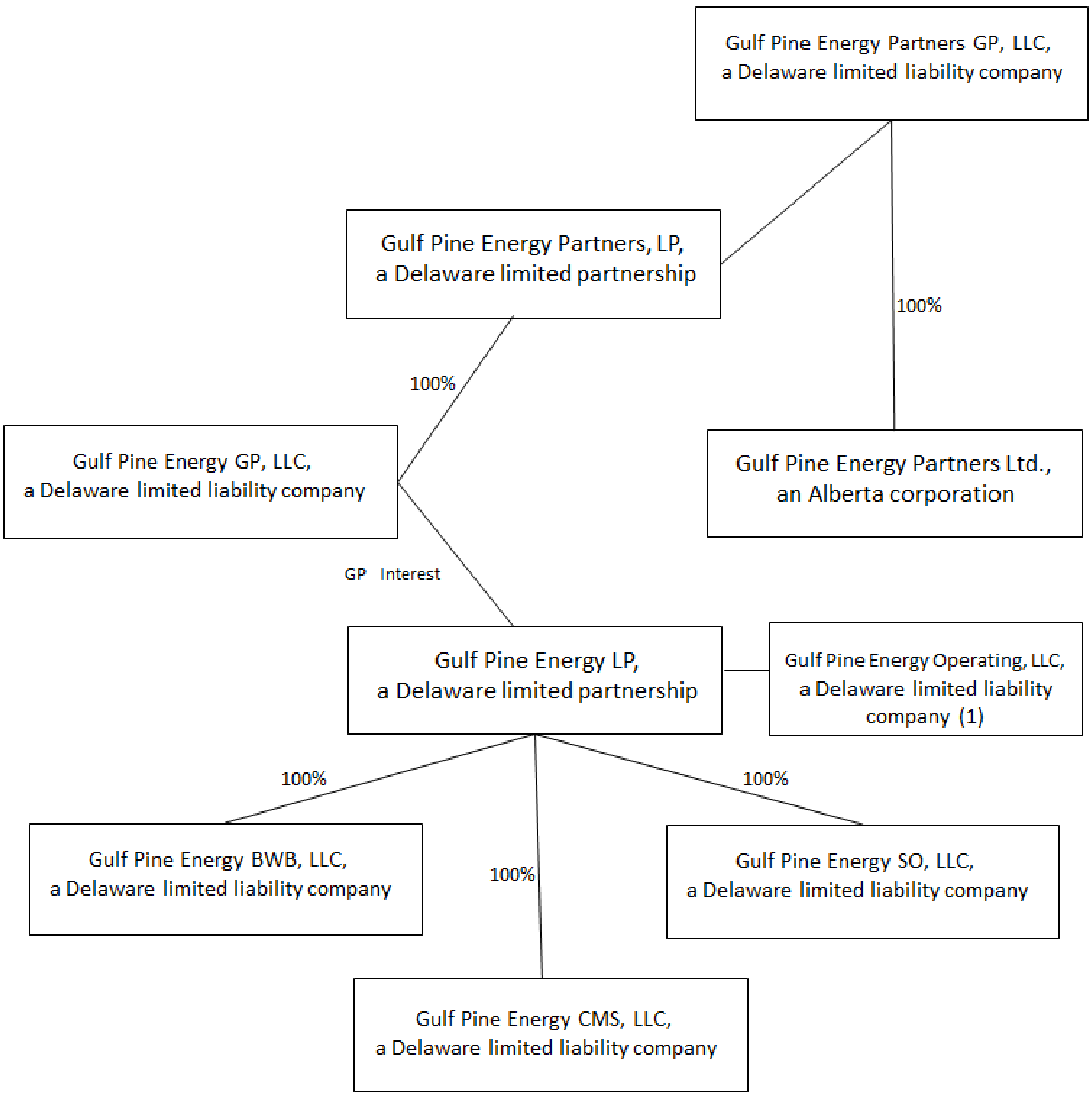
INFORMATION CONCERNING GULF PINE

Corporate Structure

Gulf Pine LP is a limited partnership existing under the laws of the State of Delaware and is governed pursuant to an amended and restated agreement of limited partnership dated November 17, 2014 (the "**Partnership Agreement**"). Gulf Pine GP is the general partner of Gulf Pine LP and is a limited liability corporation existing under the laws of the State of Delaware.

The head and registered office of Gulf Pine is located at Suite 2400, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

Intercorporate Relationships



Note:
(1) Gulf Pine Energy Operating, LLC is the sole limited partner of Gulf Pine Energy, LP. The sole member of Gulf Pine Energy Operating, LLC is Gulf Pine Energy, LP.

General Development of the Business

History

Since incorporation, Gulf Pine has been involved in the acquisition of petroleum and natural gas rights and the exploration for, and the development and production of, crude oil and natural gas in the southern U.S. Gulf Coast states.

On November 17, 2014, Gulf Pine, through its subsidiary, Gulf Pine Energy, LP entered into a Purchase and Sale Agreement with Dixie Energy Holdings (US), Inc., Dixie Energy Holdings (Strong Field), LLC, Dixie Energy Holdings (Maple Branch), LLC, Dixie Energy Holdings (Star), LLC, Dixie Energy Holdings (HWM), LLC, Dixie Energy Holdings (Wiley Dome), LLC, Dixie Energy Holdings (Brooklyn Queens), LLC, Dixie Energy Holdings (McKinley Gas), LLC, and Dixie Energy Holdings (White Castle Dome), LLC to acquire all of the assets of Dixie Energy Holdings (US), Inc. The assets acquired pursuant to this transaction were located in Lowndes and Monroe Counties, Mississippi and Lamar, Alabama (the "**Black Warrior Basin Assets**" or "**BWB Assets**"), Escambia and Conecuh Counties, Alabama (the "**Brooklyn Assets**" and "**Queens Assets**") operated by Fletcher Petroleum Corp., and Iberville Parish, Louisiana (the "**White Castle Dome Assets**") operated by Haland Energy Partners, LLC.

On December 30, 2014, Gulf Pine, through its subsidiary, Gulf Pine Energy, LP closed an Exchange of Mineral Interest Agreement where it assigned its entire non-operated interest in the White Castle Dome Assets in exchange for an assignment from Haland Energy Partners, LLC and K3 Energy LLC for their entire interest in the BWB Assets.

On November 23, 2015, Gulf Pine, through its subsidiary, Gulf Pine Energy, LP closed an Exchange Agreement where it assigned its entire non-operated interest in the Queens Assets to Fletcher Exploration, LLC, Rue Royal Minerals, LLC and Sloan Interests, LLC in exchange for an assignment of their entire interest in the BWB Assets located in Lamar County, Alabama.

On December 1, 2015, Gulf Pine, through its subsidiary, Gulf Pine Energy, LP entered into Contribution Agreements with Gulf Pine Energy SO, LLC and Gulf Pine Energy BWB, LLC (the "**Contribution Agreements**"). Pursuant to the Contribution Agreements, the Black Warrior Basin Assets were transferred to Gulf Pine Energy BWB, LLC and the Brooklyn Assets were transferred to Gulf Pine Energy SO, LLC.

On February 1, 2017, Gulf Pine, through its subsidiary, Gulf Pine Energy CMS, LLC closed a Purchase and Sale Agreement whereby it acquired properties from Trinity River Energy, LLC and Premier Natural Resources II, LLC, arm's length parties, located in Covington, Hinds, Jasper, Jefferson Davis, Jones, Lawrence, Marion, Simpson, Smith, and Yazoo Counties, Mississippi for consideration of USD$32,320,000 (the "**Central Mississippi Assets**" or "**CMS Assets**"). Concurrent with the acquisition of the CMS Assets, Gulf Pine Energy, LP entered into the Credit Agreement.

Significant Acquisitions

Other than as set forth above as it relates to the acquisition of the CMS Assets, Gulf Pine has not completed any significant acquisitions for which financial statements would be required under National Instrument 41-101 – *General Prospectus Requirements* ("**NI 41-101**") if this Filing Statement was a prospectus of Gulf Pine nor has Gulf Pine completed any significant disposition during the most recently completed financial year or the current financial year for which pro forma financial statements would be required under NI 41-101 if this Filing Statement was a prospectus of Gulf Pine.

Narrative Description of the Business

Gulf Pine's business plan is focused on building value through the consolidation, development and exploration of material oil and gas assets in southeastern United States. Gulf Pine's immediate focus is to: (a) develop the Gwinville gas field, one of the largest gas discoveries in Mississippi, by applying management's knowledge and leveraging management's experience with horizontal drilling and multi-stage fracture completions; and (b) develop the Williamsburg Cotton Valley oil pool.

Gulf Pine has extensive engineering, geological, geophysical, technical, financial and operational experience and valuable knowledge of oil and gas operations in the southeastern United States. Its principal properties consist of the BWB Assets (approximately 30,000 acres) and the CMS Assets (approximately 29,000 acres). The BWB Asset contains oil production at the Maple Branch prospect. The CMS Asset contains oil and gas production at Gwinville, Mechanicsburg and Williamsburg.

As part of its growth strategy, Gulf Pine continues to strategically evaluate and search out oil and gas properties that will result in meaningful reserve and production additions. Gulf Pine deploys capital to high-quality, long-life reservoirs in proven growth areas that offer existing infrastructure, low cost oil and gas drilling opportunities, year-round access and operational control.

Specialized Skill and Knowledge

Gulf Pine relies on the specialized skill and knowledge of its permanent staff to compile, interpret and evaluate technical data, drill and complete wells, design and operate production facilities and numerous additional activities required to explore for and produce oil and natural gas. From time to time, Gulf Pine employs consultants and other service providers to provide complementary experience and expertise to carry out its oil and natural gas operations effectively. It is the belief of management of Gulf Pine that its officers and employees, who have significant technical, operational and financial experience in the oil and gas industry, hold the necessary skill sets to successfully execute Gulf Pine business strategy in order to achieve its corporate objectives.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all of its phases. Gulf Pine competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Gulf Pine's competitors include resource companies which have greater financial resources, staff and facilities than those of Gulf Pine. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. See "*Risk Factors*".

Cyclical and Seasonal Nature of Industry

Gulf Pine's operational results and financial condition will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on Gulf Pine's financial condition. See "*Risk Factors*".

Environmental

Gulf Pine will operate in compliance with applicable existing environmental laws and regulations and is not aware of any proposed environmental legislation or regulations with which it would not be in material compliance. Procedures are put in place to ensure that the utmost care is taken in the day-to-day management of Gulf Pine's oil and gas properties. However, in the future, the natural resources industry may become subject to more stringent environmental protection rules. This could increase the cost of doing business and may have a negative impact on future earnings.

Employees

As at November 1, 2018, Gulf Pine had thirteen employees in Canada and seven in the United States.

Drilling Activity

Gulf Pine has drilled three producing wells. One horizontal oil well was drilled at the Maple Branch asset in the Black Warrior Basin in 2016. Two vertical gas wells were drilled at the Mechanicsburg asset in the Interior Salt Basin in 2017. See "*Resources Data and Other Oil and Gas Information with respect to the Gulf Pine Assets*".

Location of Production

Gulf Pine has approximately 1,700 Boe/d of production (14% oil/NGLs and 86% natural gas) in Central Mississippi and Black Warrior Basin areas of Mississippi. See "*Description of the Gulf Pine Assets*".

Location of Wells

Gulf Pine has an interest in 343 (324 net) wells, all of which are located in Covington, Jefferson-Davis, Jones, Lawrence, Lowndes, Monroe, Simpson, Smith, Yazoo counties of Mississippi and in the Conecuh and Lamar counties of Alabama.

Interest in Material Properties

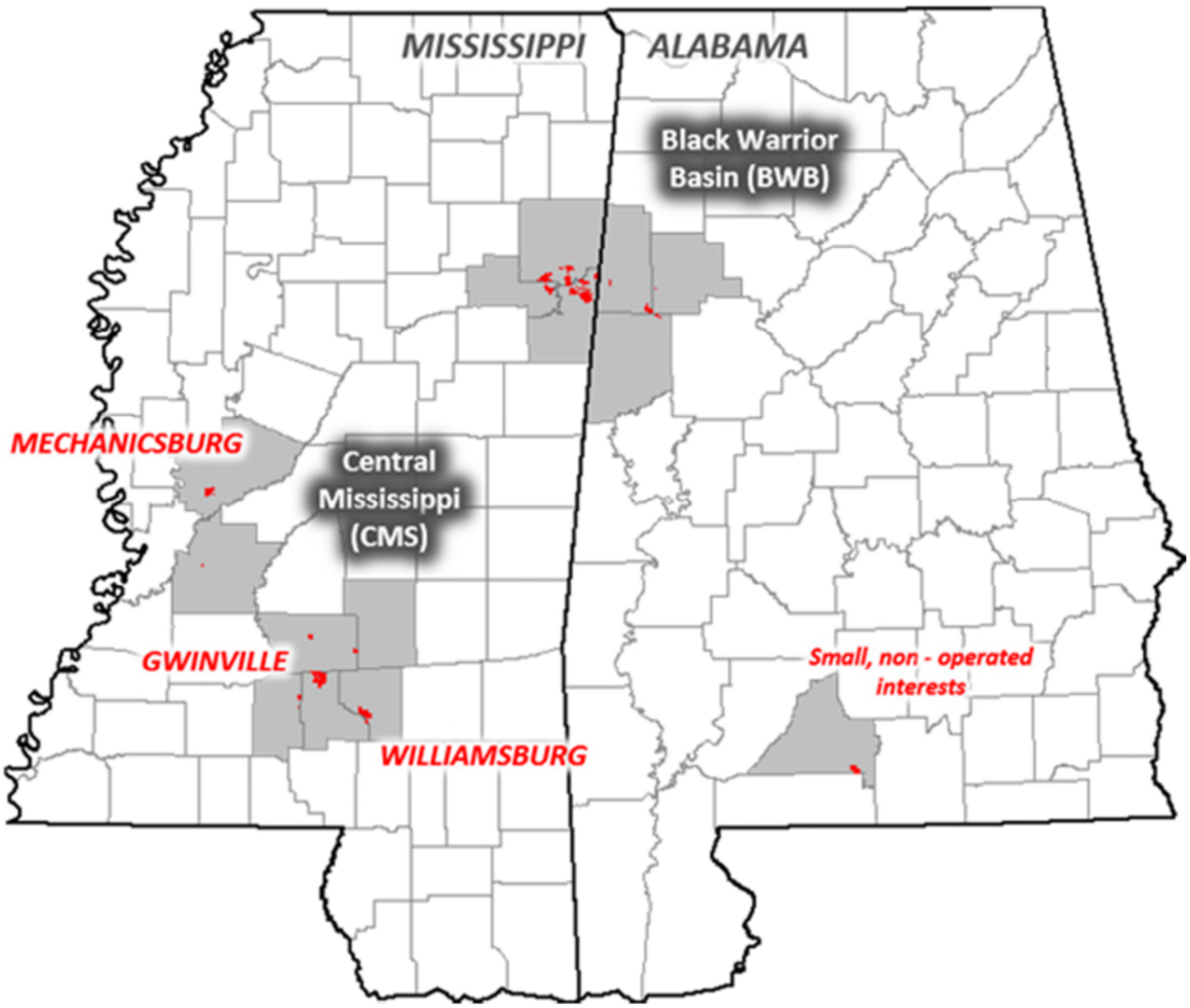
Gulf Pine has an interest in approximately 59,000 net acres of land located in Mississippi and Alabama.

Description of the Gulf Pine Assets

The Gulf Pine Assets are comprised mainly of two operated, high working interest properties located in Mississippi and Alabama: the CMS Assets and the BWB Assets. There is a total of 254 producing wells making approximately 1,700 boe/d (approximately 14% oil and NGL) of working interest production and 88 non-producing wells on approximately 59,000 net acres of mineral rights ownership.

The Gulf Pine Assets also include:

- Gas and oil processing and operating equipment; and
- Current assets of USD$1,126,045 as at September 30, 2018.



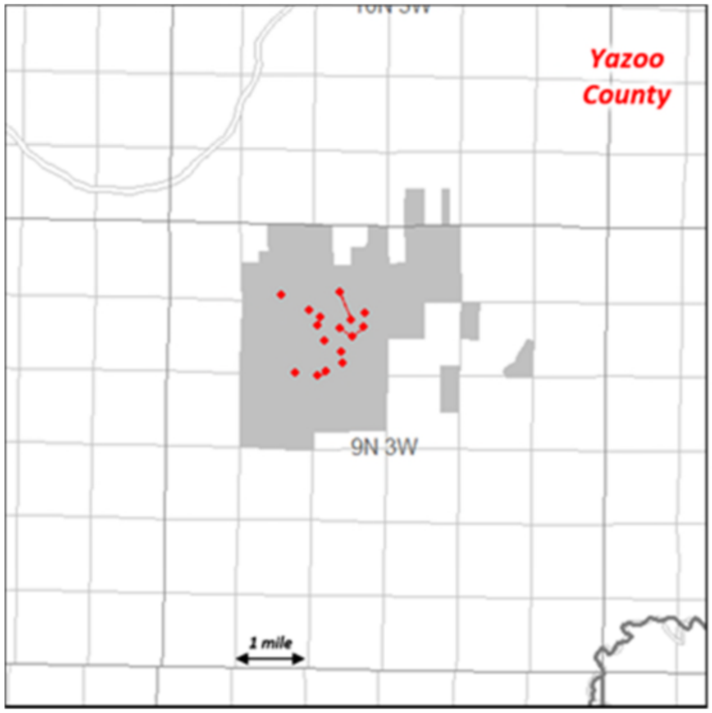
CMS Assets

The Mississippi Interior Salt Basin ranks as one of the most productive basins in the Gulf Coast region with cumulative production of over 1.5 billion Bbls of oil and 8 Tcf of gas. Major structural features affecting strata in the area are salt structures, normal faults and basement ridges which were created by salt flowage and extensional rift tectonics. Movement of the Jurassic Louann Salt serves as the principal trapping mechanism and has produced a complex array of structures including pillows, anticlines, domes, piercements and graben systems. Terrigenous clastic sediments derived from northern sources dominate the Upper Jurassic (Smackover, Haynesville and Cotton Valley) and Lower Cretaceous sections (Hosston, Sligo, Rodessa and Paluxy), while Upper Cretaceous strata (Lower Tuscaloosa, Eutaw and Selma Chalk) are represented by sandstones, shales, marls and chalks of a coastal plain environment. Excellent reservoir quality and numerous structural traps has resulted in a basin that continues to deliver stacked pay targets and an opportunity to extend known fields with the use of modern log analysis techniques and 3D seismic.

The CMS Assets were acquired in February 2017 via an asset acquisition from a U.S. private company. Gulf Pine currently holds approximately 29,000 net acres of mineral rights in Central Mississippi, the majority of which are held by production. There are 240 producing wells making approximately 1,620 boe/d of working interest production along with 82 shut-in wells.

The majority of the production and wellbores in the CMS Assets are concentrated in three fields: Mechanicsburg, Gwinville and Williamsburg. Further details are provided on each property below.

Mechanicsburg Field

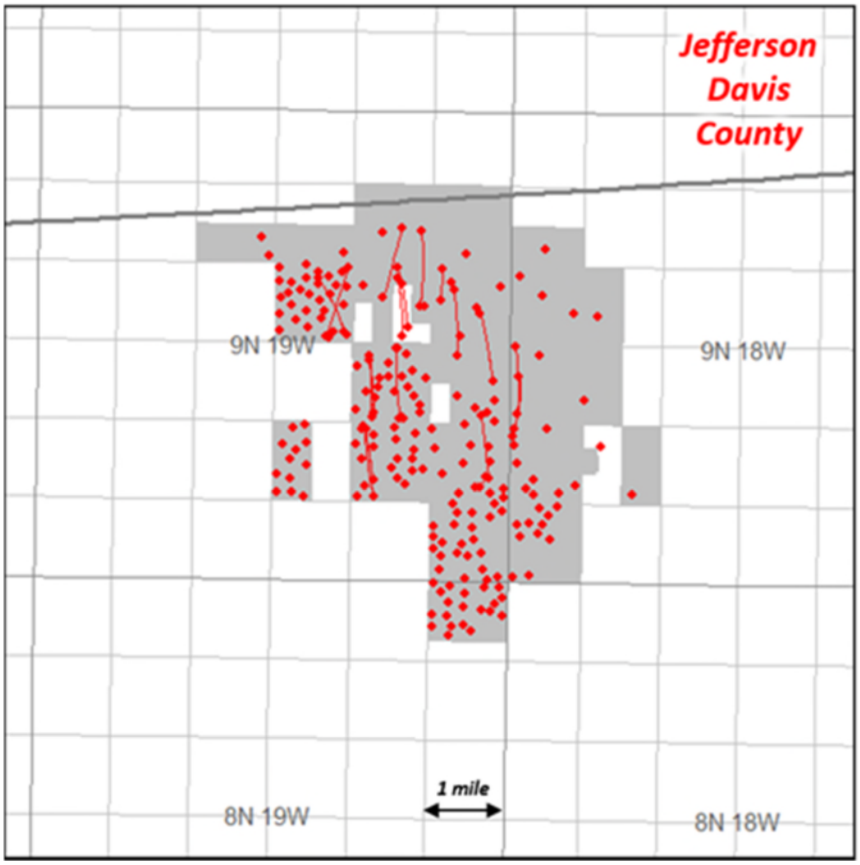


Gulf Pine currently produces approximately 775 boe/d (15% oil and NGL) from 13 Cotton Valley producing gas wells. There are seven shut-in gas wells. The field (wells and gas processing plant) is 100% operated, and the average well working interest is greater than 99%. The field is covered by a 53 square mile 3D seismic survey which was shot by a previous operator in 2010. Gulf Pine holds approximately 3,400 net acres, the majority of which is held by production.

The lower Cotton Valley formation in Mechanicsburg is at a depth of between 12,500 and 13,000 feet, and has been developed vertically due to net pay thicknesses of typically over 200 ft. The field has produced approximately 30 Bcf of gas to-date, however Gulf Pine management estimates the pool Original Gas in Place at over 300 Bcf, suggesting a low recovery factor from the existing wells. Typical wells produce two to five MMcf/d after stimulation, with estimated ultimate recoverable reserves of two to five Bcf, along with approximately 20 bbl/MMcf of free condensate and 8 bbl/MMcf of NGL production. In addition to the producing reserves, NSAI has booked six additional proved undeveloped infill drilling locations for this property.

In Q4 2017, Gulf Pine drilled and completed two successful vertical Cotton Valley wells for approximately US$4.0 million each.

Gwinville Field



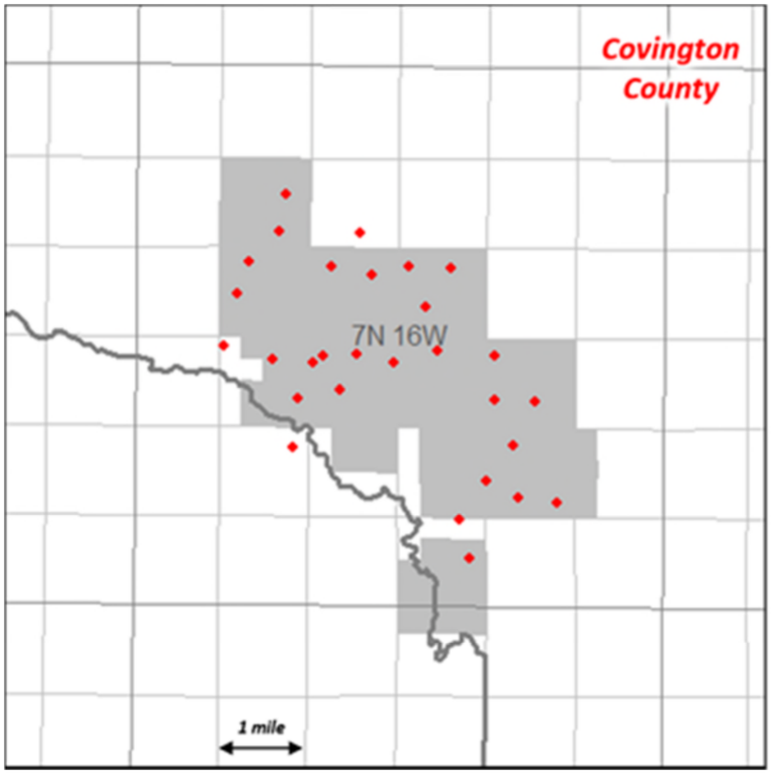
Gulf Pine currently produces approximately 525 boe/d (1% oil) from 195 Selma Chalk or Eutaw producing gas wells. There are 50 shut-in gas wells. The field (wells and gas compression/dehydration equipment) is 100% operated, and the average well working interest is greater than 95%. The field is covered by a 48 square mile 3D seismic survey which was shot by a previous operator in 2008. Gulf Pine holds approximately 12,100 net acres, the majority of which is held by production.

The Selma Chalk formation in Gwinville is at a depth of between 6,500 and 6,800 feet, while the Eutaw formation is at a depth of between 7,600 and 7,800 feet. Both zones were originally developed vertically, however a previous operator began drilling horizontal wells into each formation in 2006 with positive results. The field has produced approximately 130 Bcf of gas to-date from the Selma Chalk, however Gulf Pine management estimates the pool Original Gas in Place at over 1 Tcf, suggesting a low recovery factor from the existing wells due to their completion design and well spacing. Typical horizontal wells produced 2 to 5 MMcf/d after stimulation, with estimated ultimate recoverable reserves of 1.5 to 2.5 Bcf, along with approximately 3 bbl/MMcf of free condensate production. The horizontal, multi-stage fracture technology at the time was not advanced as these wells typically only had 3 to 5 stages and utilized low proppant concentrations of only 300 to 600 lb/ft.

The Gwinville field is Mississippi's largest historic gas producer with over 1.5 Tcf produced from several productive, stacked reservoirs (Lower Tuscaloosa production over 1.2 Tcf).

Gulf Pine had planned to drill a Selma Chalk horizontal well in Q1 2019 for an estimated single well cost of approximately US$4.3 million.

Williamsburg Field



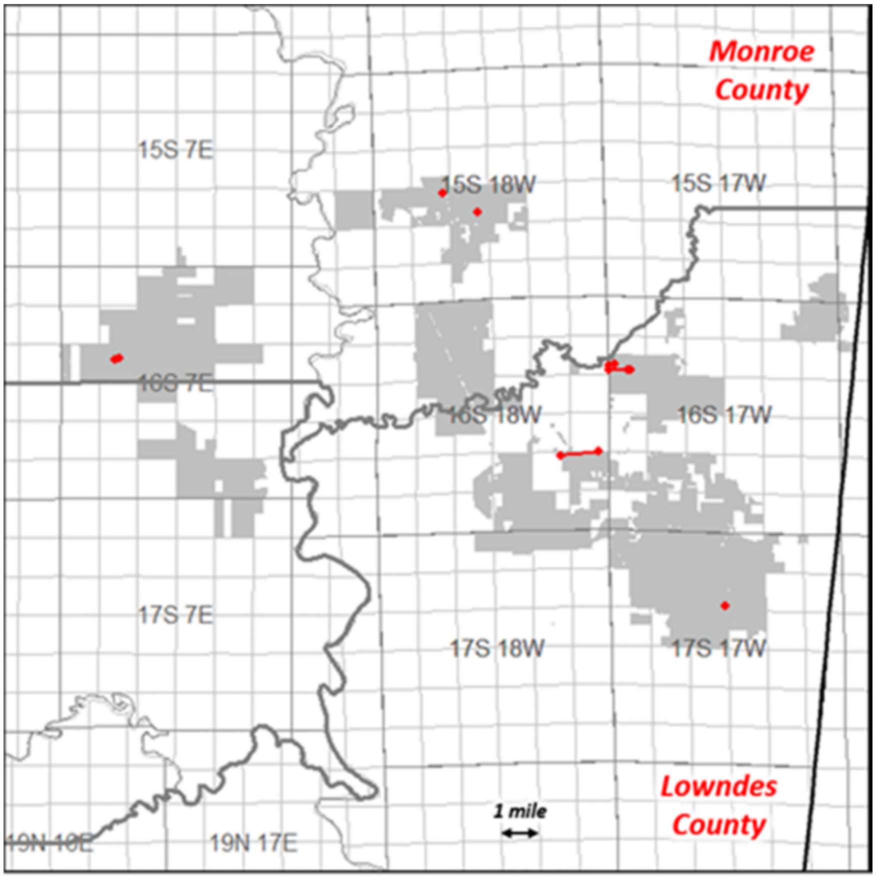
Gulf Pine currently produces approximately 160 boe/d (6% oil) from 26 Sligo/Hosston producing gas wells. There are 13 shut-in gas wells. The field (wells and gas processing plant) is 100% operated, and the average well working interest is 100%. Gulf Pine holds approximately 9,500 net acres, the majority of which is held by production.

The Sligo/Hosston formations in Williamsburg are at a depth of between 14,700 and 15,200 feet and have been developed with vertical wells. The field has produced over 80 Bcf of gas and 1.1 MMbbl oil to-date. On this large structure only two wells have penetrated the deeper Cotton Valley formation and only one was completed on this structure. The completed well has produced 1 Bcf of gas and 18 Mbbl of oil since 2008. Area operators have been successfully exploring and developing Cotton Valley reservoirs in the immediate counties surrounding the Williamsburg field.

BWB Assets

The Black Warrior Basin of northwestern Alabama and northeastern Mississippi is a foreland basin, containing Paleozoic aged sedimentary rocks, in the major structural re-entrant between the Appalachian and Ouachita Fold and Thrust Belts. Complexly block faulted Paleozoic strata (Lewis, Sanders, Carter and Pottsville sandstones) dipping southwesterly away from the Nashville Dome constitute the main framework for the basin.

The Black Warrior Basin underwent significant development in the 1970's and 80's, and mainly for gas targets. Depth of the productive Pennsylvanian and Mississippian zones is relatively shallow at 4,000-6,000 ft. Over 1 Tcf of gas has been produced from the roughly 23,000 square mile basin, but only 10 MMbbl of oil has been discovered and produced. With the advancement of horizontal drilling and completion technology, operators have been coming back to the basin over the past 10 years to test the lower permeability sands and shales in the basin for oil production.



The BWB Assets were acquired in December 2014 via an asset acquisition from a Canadian public company which was mostly prospective, leased mineral acreage. Currently Gulf Pine holds over 30,000 net acres of mineral rights in the Black Warrior Basin, with only approximately 10% of that held by production. In 2019, approximately 19,100 acres are coming up for extension or expiry, and another 3,400 acres scheduled for 2020. There are 10 producing wells (5 oil and 5 gas) making approximately 60 boe/d of working interest production along with 6 shut-in wells.

Gulf Pine drilled a Lewis horizontal well in Q1 2016 which tested over 600 bbl/d of oil and 500 Mcf/d of gas and produced greater than 55 Mbbl oil in the first 12 months of production. Despite the positive results from the company's first horizontal well, there are currently no capital plans for the BWB assets in 2019 as Gulf Pine will focus activity on their CMS Assets.

Conecuh County, Alabama, Assets

Gulf Pine holds a low, non-operated, working interest in four oil wells in southern Alabama that accounts for approximately 20 boe/d of working interest production. The ownership is in the wellbores only, with no mineral right ownership in this asset.

<u>Reserves Data and Other Oil and Gas Information with respect to the Gulf Pine Assets</u>

NSAI Report

The reserves data set forth below is based upon the NSAI Report. The NSAI Report summarizes, as of December 31, 2017, the crude oil, natural gas liquids and natural gas reserves attributed to the Gulf Pine Assets and the net present values of future net revenue for these reserves using forecast prices and costs. The NSAI Report has been prepared by NSAI, independent qualified reserves evaluators, in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in

NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which management believes is important to the readers of this information.

The tables below are a summary of the oil and natural gas reserves of the Gulf Pine Assets and the net present value of future net revenue attributable to such reserves as evaluated in the NSAI Report, based on forecast price assumptions.

In addition, a sensitivity to the NSAI Report, also prepared by NSAI in accordance with NI 51-101 and the COGE Handbook, dated November 21, 2018 (the "**Sensitivity**") and effective July 31, 2018 was undertaken to: (i) review and update certain producing leases with significant changes in production to the forecast; (ii) shift the projected first production dates of the workovers and new development wells forward as required; and (iii) adjust the abandonment liability timing for certain non-producing wells as required.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves attributed to the Gulf Pine Assets. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The net present value of future net revenue attributable to the reserves is stated without provision for interest costs and general and administrative costs, but providing for estimated royalties, production costs, future development costs, other income, and well abandonment liabilities for all producing and non-producing wells. Assumptions and qualifications related to costs, prices for future production and other matters are summarized herein and in the NSAI Report and the Sensitivity. The recovery and reserve estimates provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

The NSAI Report and the Sensitivity are based on certain factual data supplied by Gulf Pine and NSAI's opinion of reasonable practice in the industry. The extent and character of ownership of all factual data pertaining to Gulf Pine's properties and contracts were supplied by Gulf Pine to NSAI and accepted without further investigation. NSAI accepted this data as presented and neither title searches nor field inspection were conducted.

Gulf Pine Reserves Data and Other Information

Summary of Oil and Gas Reserves

Reserves Category	Reserves									
	Light and Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)		Total Oil Equivalent (Mboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	238.3	183.2	304.0	245.3	192.2	155.5	34,038.3	27,162.6	6,407.6	5,111.1
Proved Developed Non-Producing	67.5	52.7	101.9	79.4	26.6	21.6	12,434.2	9,602.5	2,268.4	1,754.1
Proved Undeveloped	-	-	312.2	254.5	180.0	146.7	16,106.1	13,129.8	3,176.6	2,589.5
Total Proved	**305.8**	**235.9**	**718.1**	**579.2**	**398.7**	**323.9**	**62,578.5**	**49,894.8**	**11,852.4**	**9,454.8**
Probable	-	-	-	-	-	-	-	-	-	-
Total Proved Plus Probable	**305.8**	**235.9**	**718.1**	**579.2**	**398.7**	**323.9**	**62,578.5**	**49,894.8**	**11,852.4**	**9,454.8**

Net Present Values of Future Net Revenue

Reserves Category	Before Income Taxes, Discounted at (%/year)					Unit Value Before Income Tax, Discounted at 10%/year	
	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/Mcfe
Proved Developed Producing	77,967	55,624	43,350	35,739	30,596	8.48	1.41
Proved Developed Non-Producing	27,260	15,638	10,476	7,556	5,689	5.97	1.00
Proved Undeveloped	43,850	30,256	21,276	15,129	10,791	8.22	1.37
Total Proved	**149,077**	**101,519**	**75,102**	**58,424**	**47,077**	**7.94**	**1.32**
Probable	-	-	-	-	-	-	-
Total Proved Plus Probable	**149,077**	**101,519**	**75,102**	**58,424**	**47,077**	**7.94**	**1.32**

Reserves Category	After Income Taxes, Discounted at (%/year)					Unit Value After Income Tax, Discounted at 10%/year	
	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/Mcfe
Proved Developed Producing	77,967	55,624	43,350	35,739	30,596	8.48	1.41
Proved Developed Non-Producing	24,813	14,234	9,536	6,878	5,179	5.44	0.91
Proved Undeveloped	35,992	23,903	16,808	11,952	8,525	6.49	1.08
Total Proved	**138,772**	**93,761**	**69,694**	**54,569**	**44,300**	**7.37**	**1.23**
Probable	-	-	-	-	-	-	-
Total Proved Plus Probable	**138,772**	**93,761**	**69,694**	**54,569**	**44,300**	**7.37**	**1.23**

Total Future Net Revenue (Undiscounted)

Reserves Category	Company Revenue (M$)	Burden and NPI (M$)	Property and Severance Tax (M$)	Development Costs (M$)	Abandonment Costs (M$)	Operating Expense (M$)	Future Net Revenue (M$)	Income Tax (M$)	Future Net Revenue After Income Tax (M$)
Proved Developed Producing	222,908	45,165	11,081	-	4,991	83,704	77,967	-	77,967
Total Proved	**413,512**	**83,723**	**20,381**	**35,805**	**5,933**	**118,592**	**149,077**	**10,305**	**138,772**
Total Proved Plus Probable	**413,512**	**83,723**	**20,381**	**35,805**	**5,933**	**118,592**	**149,077**	**10,305**	**138,772**

Future Net Revenue by Production Group

Reserves Category	Production Group	Future Net Revenue Before Income Tax, Discounted at 10%/year (M$)	Unit Value Before Income Tax, Discounted at 10%/year ($/boe)	Unit Value Before Income Tax, Discounted at 10%/year ($/Mcfe)
Proved Developed Producing	Light/Medium Oil	3,772	20.59	3.43
	Condensate	5,253	21.41	3.57
	NGL	2,056	13.22	2.20
	Conventional Natural Gas	32,269	7.13	1.19
Total: Proved Developed Producing		**43,350**	**8.48**	**1.41**

Total Proved	Light/Medium Oil	4,837	20.51	3.42
	Condensate	11,200	19.34	3.22
	NGL	3,897	12.03	2.01
	Conventional Natural Gas	55,168	6.63	1.11
Total: Total Proved		**75,102**	**7.94**	**1.32**

Total Proved Plus Probable	Light/Medium Oil	4,837	20.51	3.42
	Condensate	11,200	19.34	3.22
	NGL	3,897	12.03	2.01
	Conventional Natural Gas	55,168	6.63	1.11
Total: Total Proved Plus Probable		**75,102**	**7.94**	**1.32**

Summary of Pricing, Exchange and Inflation Rate Assumptions

Year	Exchange Rate (USD/CAD)	WTI Cushing Oklahoma (C$/bbl)	NYMEX Henry Hub (C$/MMBTU)
Forecast			
2018	0.79	74.68	3.61
2019	0.79	74.68	3.80
2020	0.80	75.00	4.06
2021	0.81	77.78	4.32
2022	0.82	80.49	4.51
2023	0.83	83.13	4.65
2024	0.83	86.75	4.75
2025	0.83	90.36	4.84
2026	0.83	93.17	4.94
2027	0.83	95.03	5.04
Thereafter	0.83	+ 2.0%/Year	+ 2.0%/Year

Reserves Reconciliation

	Light/Medium Oil			Condensate			NGL		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
Prior Report	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-
December 31, 2017	**305.8**	**-**	**305.8**	**718.1**	**-**	**718.1**	**398.7**	**-**	**398.7**

Factors	Conventional Natural Gas			Total BOE		
	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
Prior Report	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-
Production	-	-	-	-	-	-
December 31, 2017	**62,578.5**	**-**	**62,578.5**	**11,852.4**	**-**	**11,852.4**

Additional Information Relating to Gulf Pine's Reserves Data

Undeveloped Reserves

Undeveloped reserves are attributed by NSAI in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved undeveloped reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Proved and probable undeveloped reserves have been assigned in accordance with engineering and geological practices as defined under NI 51-101.

Gulf Pine's *proved undeveloped* reserves have been assigned by NSAI and are related to planned infill-drilling locations. All *proved undeveloped* reserves are planned to be on stream within a two-year timeframe.

Summary of Proved Undeveloped Reserves

Year	Company Gross Reserves									
	Light and Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)		Total Oil Equivalent (Mboe)	
	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total
Prior	-	-	-	-	-	-	-	-	-	-
December 31, 2017	**-**	**-**	**312.2**	**312.2**	**180.0**	**180.0**	**16,106.1**	**16,106.1**	**3,176.6**	**3,176.6**

Gulf Pine does not have any probable undeveloped reserves assigned.

Significant Factors or Uncertainties Affecting Reserves Data

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and other factors and assumptions that may affect the reserve estimates and the present worth of the future net revenue therefrom. These factors and assumptions include, among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

The evaluated properties of Gulf Pine have no material extraordinary risks or uncertainties beyond those which are inherent of an oil and gas producing company as discussed in Section 9 of the COGE Handbook.

Future Development Costs

Future development costs are capital expenditures required in the future for Gulf Pine to convert proved undeveloped, probable undeveloped reserves, proved developed non-producing and probable developed non-producing reserves to proved developed producing reserves.

The following table shows the development costs anticipated in the next five years, which have been deducted in the estimation of Gulf Pine's future net revenues of the reserves evaluated in the NSAI Report. Gulf Pine expects to fund this development program through a combination of internally-generated cash flow and equity financing.

Future Development Costs (Undiscounted)

	Year				
Reserves Category	**2018 (M$)**	**2019 (M$)**	**2020 (M$)**	**2021 (M$)**	**2022 (M$)**
Proved Developed Producing	-	-	-	-	-
Proved Developed Non-Producing	554	4,989	696	-	-
Proved Undeveloped	8,263	16,857	-	-	-
Total Proved	**8,817**	**21,846**	**696**	**-**	**-**
Probable	-	-	-	-	-
Total Proved Plus Probable	**8,817**	**21,846**	**696**	**-**	**-**

Other Oil and Gas Information

The following table sets forth the number of wells which Gulf Pine held a working interest as at December 31, 2017, all of which were in the United States.

Well Count Summary

Property Description		Oil		Gas	
		Gross	Net	Gross	Net
Black Warrior Basin - AL	Producing	-	-	5	5
	Non-Producing	-	-	-	-
Smackover - AL	Producing	4	0.2	-	-
	Non-Producing	-	-	-	-
Black Warrior Basin - MS	Producing	5	5	-	-
	Non-Producing	3	3	3	3
Mechanicsburg - MS	Producing	-	-	13	13
	Non-Producing	-	-	7	7
Gwinville - MS	Producing	-	-	195	183
	Non-Producing	-	-	50	48
Williamsburg - MS	Producing	-	-	25	25
	Non-Producing	-	-	14	14
Magee - MS	Producing	4	4	-	-
	Non-Producing	-	-	-	-
MS - Other	Producing	3	3	-	-
	Non-Producing	11	11	-	-
	Gulf Pine Total	**30**	**26**	**312**	**298**
	Producing	**16**	**12**	**238**	**226**
	Non-Producing	**14**	**14**	**74**	**72**

Notes:
(1) "Gross" wells mean the number of wells in which Gulf Pine has a working interest.
(2) "Net" wells mean the aggregate number of wells obtained by multiplying each gross well by the working interest of Gulf Pine.

Properties with No Attributed Reserves

Gulf Pine has an interest in approximately 32,060 gross acres and 27,437 net acres of undeveloped lands at October 31, 2018. Approximately 19,300 net acres are scheduled for extensions or expiry in 2019. The undeveloped lands have no work commitments.

Properties with No Attributed Reserves

Property	Gross Acreage (Acres)	Net Acreage (Acres)
Alabama		
Belk	65	65
Star	426	369
Mississippi		
Belle Boyd	1,425	1,425
Maple Branch	19,126	16,565
McKinley Creek	1,212	932
Merit	978	978
Strong	8,828	7,103
Total	**32,060**	**27,437**

Forward Contracts

Gulf Pine utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps. The derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. Gulf Pine does not apply hedge accounting to its commodity derivative contracts.

Gulf Pine had the following commodity derivative contracts in place as at September 30, 2018:

Natural Gas	Volume	Pricing
Fixed Price Swap		
October 1, 2018 – December 31, 2018	4,600 MMBtu/d	NYMEX – HH $3.025/MMBtu
January 1, 2019 – December 31, 2019	3,900 MMBtu/d	NYMEX – HH $2.840/MMBtu
January 1, 2020 – December 31, 2020	1,000 MMBtu/d	NYMEX – HH $2.600/MMBtu

Crude Oil	Volume	Pricing
Fixed Price Swap		
October 1, 2018 – December 31, 2018	60 Bbl/d	WTI $55.25/Bbl
October 1, 2018 – December 31, 2018	40 Bbl/d	WTI $63.60/Bbl
January 1, 2019 – December 31, 2019	50 Bbl/d	WTI $55.25/Bbl

Additional Information Concerning Abandonment and Reclamation Costs

Gulf Pine performs an annual review of its forecast abandonment costs. The NSAI Report considers abandonment costs for all wells with reserves attributed, as well as the costs for those wells that are either shut-in or do not have attributed reserves. A schedule of the forecast abandonment costs for the Gulf Pine Assets is included in the following table.

Summary of Proposed Abandonment Expenditures (Undiscounted)

Year	Proved Developed Producing (M$)	Total Proved (M$)	Total Proved Plus Probable (M$)
2018	128	128	128
2019	130	130	130
2020	276	276	276
2021	179	179	179
2022	141	141	141
2023	177	177	177
2024	216	216	216
2025	284	284	284
2026	225	225	225
2027	292	324	324
2028	363	370	370
2029	275	280	280
2030	236	240	240
2031	266	296	296
2032	279	448	448
Subtotal	**3,466**	**3,714**	**3,714**
Remainder	**1,525**	**2,220**	**2,220**
Total	**4,991**	**5,933**	**5,933**

Tax Horizon

Based on the after tax economic forecasts, it is expected that, based on current legislation and various other assumptions that income taxes will not be payable before 2020.

Costs Incurred

The following table summarizes the capital expenditures related to Gulf Pine's activities for the year ended December 31, 2017, as well as the first 6 months of 2018, related to exploration, development and property acquisitions.

	Property Acquisition Costs			
Year ended Dec. 31, 2017	**Proved Properties (M$)**	**Unproved Properties (M$)**	**Exploration Costs (M$)**	**Development Costs (M$)**
United States	31,298	404	-	16,882

	Property Acquisition Costs			
Jan. 1, 2018 to June 30, 2018	**Proved Properties (M$)**	**Unproved Properties (M$)**	**Exploration Costs (M$)**	**Development Costs (M$)**
United States	(57)	111	-	617

Exploration and Development Activities

For the year ended December 31, 2017, Gulf Pine drilled, completed and brought on production two (gross and net) development gas wells.

Production Estimates

The following table discloses for each product type, the total volume of production estimated by NSAI for 2018 in the estimates of future net revenue from the forecast case of proved plus probable reserves disclosed earlier in this section.

Summary of First Year Production

	Company Reserves									
	Light and Medium Oil (bbl/d)		Condensate (bbl/d)		NGL (bbl/d)		Conventional Natural Gas (Mcf/d)		Total Oil Equivalent (boe/d)	
Reserves Category	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved Developed Producing	120.8	92.9	97.8	78.9	57.8	46.8	9,784.7	7,812.9	1,907.2	1,520.8
Proved Developed Non-Producing	-	-	0.8	0.5	0.5	0.4	55.6	45.2	10.6	8.5
Proved Undeveloped	-	-	15.1	12.1	8.5	6.8	760.3	619.7	150.3	122.2
Total Proved	**120.8**	**92.9**	**113.4**	**91.8**	**66.8**	**54.2**	**10,600.5**	**8,477.8**	**2,067.9**	**1,651.9**
Probable	-	-	-	-	-	-	-	-	-	-
Total Proved Plus Probable	**120.8**	**92.9**	**113.4**	**91.8**	**66.8**	**54.2**	**10,600.5**	**8,477.8**	**2,067.9**	**1,651.9**

Production History

The following tables set forth certain information in respect of production, product prices received, royalties, production costs, severance taxes and netbacks received by Gulf Pine for the year ended December 31, 2017, as well as the first 6 months of 2018.

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Production						
Oil (bbl/d)	220	241	220	238	251	240
Natural Gas (Mcf/d)	7,122	10,739	9,874	9,162	10,464	9,865
NGL (bbl/d)	44	50	35	33	48	42
Boe/d	1,451	2,081	1,901	1,797	2,043	1,926
Average Prices						
Oil ($/bbl)	46.71	44.91	45.55	55.76	62.19	66.28
Natural Gas ($/Mcf)	2.95	3.16	2.99	2.94	3.19	2.83
NGL ($/bbl)	28.18	24.05	27.61	35.74	38.39	41.72
$/boe	22.62	22.18	21.36	23.03	24.98	23.85

Royalties

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Royalties ($)	561,780	779,118	724,403	728,595	891,879	851,667
$/boe	4.30	4.11	4.14	4.41	4.85	4.86

Percent of Revenue (%)	19	19	19	19	19	20

Operating Expenses

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Operating Expense ($)	1,080,666	1,567,093	1,463,076	1,435,964	1,443,462	1,414,806
$/boe	8.27	8.27	8.37	8.68	7.85	8.07
Percent of Revenue (%)	37	37	39	38	31	34

Severance Tax

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Severance Tax ($)	139,687	213,745	187,254	183,213	217,300	196,297
$/boe	1.07	1.13	1.07	1.11	1.18	1.12
Percent of Revenue (%)	5	5	5	5	5	5

Netback

($/boe except for production)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Production *(boe/d)*	1,451	2,081	1,901	1,797	2,043	1,926
Revenue	22.62	22.18	21.36	23.03	24.98	23.85
Royalties	4.30	4.11	4.14	4.41	4.85	4.86
Operating Expense	8.27	8.27	8.37	8.68	7.85	8.07
Severance Tax	1.07	1.13	1.07	1.11	1.18	1.12
Operating Netback	**8.97**	**8.66**	**7.77**	**8.83**	**11.10**	**9.80**

Production Volume by Field

The following table discloses for each important field, and in total, Gulf Pine's production volumes for the year ended December 31, 2017, as well as the first 6 months of 2018.

	2017			2018 *(to June 30th)*		
Field	Oil & NGL bbl/d	Natural Gas Mcf/d	Total boe/d	Oil & NGL bbl/d	Natural Gas Mcf/d	Total boe/d
Alabama						
Brooklyn (Non-Op)	19	41	26	17	34	22
Gentry Creek	-	104	17	-	98	16
Lubbub	-	17	3	-	18	3
Mississippi						
Belle Boyde	6	28	10	7	43	14
Gwinville	10	3,839	650	8	3,930	663
Hamilton	-	21	3	-	15	3
Magee	74	6	75	68	-	68
Maple Branch	37	-	37	45	-	45

Mechanicsburg	99	3,647	707	125	4,587	890
Mississippi Other	2	-	2	3	-	3
Strong	3	-	3	2	-	2
Williamsburg	21	1,527	275	16	1,437	255
Total	**270**	**9,230**	**1,809**	**290**	**10,163**	**1,984**

Selected Financial Information and Management's Discussion and Analysis

The table below sets forth selected financial data derived from:

1. the audited consolidated financial statements of Gulf Pine as at and for the years ended December 31, 2017 and December 31, 2016, together with the notes thereto and the auditors' report thereon; and

2. the unaudited consolidated interim financial statements of Gulf Pine as at September 30, 2018 and for the three and nine month periods ended September 30, 2018 and September 30, 2017, together with the notes thereto.

(collectively, the "**Gulf Pine Financial Statements**")

The following tables should be read in conjunction with such financial statements, which are attached hereto as Schedule "C".

Annual Information

($US '000s)	Nine Month period ended September 30, 2018(1)	Year ended December 31, 2017	Year ended December 31, 2016
Revenues	10,330	11,917	1,707
Net Income (Loss)	(4,713)	(54,875)	(12,096)
Total Assets	57,047	65,762	68,444
Total Long-Term Liabilities	23,569	28,777	1,803

Note:
(1) Unaudited.

Quarterly Information

($US '000s)	Third Quarter, 2018	Second Quarter, 2018	First Quarter, 2018	Fourth Quarter, 2017	Third Quarter, 2017	Second Quarter, 2017	First Quarter, 2017	Fourth Quarter, 2016
Revenues	3,307.00	3,310.00	3,713.00	3,071.00	3,040.00	3,361.00	2,445.00	301.00
Net Income (Loss)	(1,382.00)	(2,078.00)	(1,253.00)	(48,737.00)	(2,328.00)	(1,356.00)	(2,454.00)	(3,665.00)
Total Assets	57,047.00	58,526.00	60,728.00	65,762.00	105,059.00	102,606.00	105,722.00	68,444.00
Total Long-Term Liabilities	23,569.00	23,668.00	24,994.00	28,777.00	21,342.00	21,565.00	23,330.00	1,803.00

Note:
(1) Unaudited.

Management's Discussion and Analysis

Gulf Pine's Management's Discussion and Analysis for the years ended December 31, 2017 and December 31, 2016, and the three and nine month period ended September 30, 2018 (collectively, the

"**Gulf Pine MD&As**") provide an analysis of the Gulf Pine Financial Statements. The Gulf Pine Financial Statements and the Gulf Pine MD&As are attached hereto as Schedule “C” and Schedule “D”, respectively.

Certain information included in the Gulf Pine MD&As is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Special Note Regarding Forward-Looking Statements*" for further details.

Trends

Over the past few years, the prices for crude oil and natural gas have been increasingly volatile and Gulf Pine expects this volatility to continue. Prolonged increases or decreases in the price of oil and/or natural gas could significantly impact the business and operations of Gulf Pine as there is a strong relationship between energy commodity prices and access to both equipment and personnel. The pricing trend in Q4 2018 has seen declining oil prices as compared to Q1 to Q3 2018, with the price of WTI returning to 2017 levels. Additionally, the ability of Gulf Pine to place financial hedges on future production can be uncertain.

The availability of services and equipment is an inherent risk in the oil and gas sector; however with the recent oil price decline, Gulf Pine expects adequate availability of services and equipment. Service and equipment prices can have a material impact on the business of Gulf Pine. Service prices tend to mirror the oil price in the market, moving in tandem. Gulf Pine could see an increase in equipment prices if oil prices rise to previous levels.

Oil was discovered in Alabama in the mid-1940s. Today, a small amount of crude oil is produced from fields in the northwestern part of the state and on Alabama's Gulf Coast in the southwestern part of the state. The state's annual crude oil production increased slightly from 2011 through 2013, but in 2017 output fell below 7 million barrels for the first time in more than four decades and was only about one-third of the state's peak oil production of around 22 million barrels in the early 1980s. Mississippi produced about 1% of the United State's crude oil for more than 30 years, but now contributes about 0.5% to the nation's total annual petroleum production and holds about 0.4% of the nation's proved oil reserves.

Description of the Securities

The partnership interests in Gulf Pine are made up of: (a) a general partnership interest, which is 100% owned by Gulf Pine GP; and (b) the limited partners interests, which are divided into two classes, the Series A Units and the Series B Units. Gulf Pine LP is authorized to issue 152,000,000 Gulf Pine Units and 30,400,000 Gulf Pine Series B Units. As at the date hereof, there are 121,009,568 Gulf Pine Units and 24,092,000 Gulf Pine Series B Units issued and outstanding.

Pursuant to the Partnership Agreement, Gulf Pine GP has full and complete discretion to manage and conduct the business and affairs of Gulf Pine.

Upon completion of the Transaction, Standard will own all of the issued and outstanding Gulf Pine Units, and the Gulf Pine Series B Units will be cancelled.

Consolidated Capitalization

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as at December 31, 2017	Amount Outstanding as at September 30, 2018	Amount Outstanding as at the date hereof
Gulf Pine Units	152,000,000	119,809,568	121,009,568	121,009,568

Note:
(1) As at September 30, 2018, Gulf Pine's retained earnings (deficit) were (USD$87,983,000).

Prior Sales

Information regarding the sales of securities of Gulf Pine within the last twelve months is presented in the following table:

Date	Number and Type of Security	Aggregate Issue Price	Nature of Consideration Received
April 6, 2018	1,200,000 Gulf Pine Units	USD$1,200,000	Cash
December 20, 2017	2,000,000 Gulf Pine Units	USD$2,000,000	Cash

Executive Compensation

For the fiscal year ended December 31, 2017, Gulf Pine had five Named Executive Officers.

The following table and notes thereto provide a summary of the compensation paid to the Named Executive Officers and managers of Gulf Pine for the two most recently completed financial years and the interim period from January 1, 2018 to September 30, 2018:

Name and Position	Year[1]	Salary, Consulting Fees, Retainer or Commission ($)	Bonus ($)	Committee or Meeting Fees ($)	Value of Perquisites ($)	Value of All Other Compensation ($)	Total Compensation ($)
***Named Executive Officers*[2]**							
Ian Atkinson	2018	$157,875	Nil	Nil	Nil	Nil	$157,875
President &	2017	$210,500	$112,500	Nil	Nil	Nil	$323,000
CEO	2016	$200,000	Nil	Nil	Nil	Nil	$200,000
Calvin Yau	2018	$150,000	Nil	Nil	Nil	Nil	$150,000
VP Finance &	2017	$200,000	$71,275	Nil	Nil	Nil	$271,275
CFO	2016	$190,000	Nil	Nil	Nil	Nil	$190,000
Gary McMurren	2018	$150,000	Nil	Nil	Nil	Nil	$150,000
VP Engineering	2017	$200,000	$71,275	Nil	Nil	Nil	$271,275
	2016	$190,000	Nil	Nil	Nil	Nil	$190,000
Chris Birchard	2018	$150,000	Nil	Nil	Nil	Nil	$150,000
VP Geosciences	2017	$200,000	$71,275	Nil	Nil	Nil	$271,275
	2016	$190,000	Nil	Nil	Nil	Nil	$190,000
Erin Buschert	2018	$150,000	Nil	Nil	Nil	Nil	$150,000
VP Land	2017	$200,000	$71,275	Nil	Nil	Nil	$271,275
	2016	$190,000	Nil	Nil	Nil	Nil	$190,000

Name and Position	Year[(1)]	Salary, Consulting Fees, Retainer or Commission ($)	Bonus ($)	Committee or Meeting Fees ($)	Value of Perquisites ($)	Value of All Other Compensation ($)	Total Compensation ($)
Directors[3]							
Andre Burba Director	2017 2016	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Nick Chew Director	2017 2016	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Ted Maa Director	2017 2016	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Bryan Gould Director	2017 2016	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Ian Dundas Director	2017 2016	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil

Notes:
(1) For the year 2018, the table shows data only for the nine-month period ended September 30, 2018.
(2) All Named Executive officers of Gulf Pine have held their current positions since December 29, 2014.
(3) Mr. Burba, Mr. Chew, Mr. Maa, and Mr. Gould have been managers since December 29, 2014. Mr. Dundas was appointed to the Gulf Pine Board on February 7, 2017.

Outstanding Share-Based and Option-Based Awards

Gulf Pine did not have any outstanding share-based awards at the end of the fiscal year ended December 31, 2017.

Summary of Directors' Compensation

Gulf Pine's managers do not have service contracts with respect to their roles as managers and are not provided with cash remuneration for their service to Gulf Pine as managers. All managers are reimbursed for reasonable expenses incurred by them in their capacity as managers, including travel and other out of pocket expenses incurred in connection with meetings of the Gulf Pine Board or any committee of the Gulf Pine Board.

No manager or Named Executive Officer has exercised any compensation securities during the most recently completed financial year.

Compensation Discussion and Analysis

In assessing the compensation of its executive officers, Gulf Pine does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on board discussion. Gulf Pine's executive compensation program has two principal components: base salary and long term incentive compensation. Base salaries for all employees of Gulf Pine are established for each position through comparative salary surveys of similar type and size corporations. Individual and corporate performance is also be taken into account.

The Gulf Pine Board has established a Compensation and Corporate Governance Committee, which determines the compensation payable to the executives and managers of the Gulf Pine and, in doing so, ensures that the total compensation payable is fair and reasonable and is consistent with Gulf Pine's compensation philosophy. The Compensation and Corporate Governance Committee is comprised of Messrs. Maa (Chair), Chew and Gould.

Gulf Pine's compensation philosophy is aimed at attracting and retaining quality and experienced people which are critical to the success of Gulf Pine for the benefit of the Gulf Pine Unitholders. The President and Chief Executive Officer and the Compensation and Governance Committee review all components in assessing the compensation of individual officers and of Gulf Pine as a whole. Salaries are intended to provide current compensation and a short-term incentive for employees to meet Gulf Pine's goals, as well as to remain competitive with the industry that possesses a competitive hiring environment, particularly in relation to companies of similar size and scope.

Base Salaries

The Compensation and Corporate Governance Committee recognizes that the size of Gulf Pine prohibits base salary compensation for officers from matching those of larger companies in the petroleum and natural gas industry. Base salaries for officers have been established by the Compensation and Corporate Governance Committee at levels comparable to base salaries paid by Gulf Pine's industry peer group. In assessing comparability, Gulf Pine relies upon a review of base salary amounts as disclosed by industry peers in their public disclosure documents. Consideration is given to the time period evaluated in industry surveys and public data and to the business climate applicable at the time with respect to industry demand for experienced personnel.

Bonuses

Gulf Pine does not have a formalized bonus plan for its executive officers and employees, however, the executive officers and employees may receive a bonus as and when declared by the Gulf Pine Board, after review and recommendation by the Compensation and Corporate Governance Committee.

Compensation Governance

The objectives of the Compensation and Corporate Governance Committee are to attract and retain individuals of high calibre to serve as officers of Gulf Pine, to motivate their performance in order to achieve Gulf Pine's strategic objectives and to align the interests of executive officers with the long-term interests of the Gulf Pine Unitholders. These objectives are designed to ensure that the Corporation rewards the Named Executive Officers where they have contributed to the prosperity and growth of Gulf Pine.

The members of the Compensation and Corporate Governance Committee are Messrs. Maa, Chew and Gould, each of whom is independent. Messr. Maa is the Chairman of the Compensation and Corporate Governance Committee. Each member of the Compensation and Corporate Governance Committee has direct experience that is relevant to his responsibilities as a member of the Compensation and Corporate Governance Committee.

Mr. Maa joined Pine Brook in July 2012 and is a principal on the energy investment team. He represents Pine Brook as a director of Accelerate Resources Holdings, LLC, Ancova Midstream, LLC, Elevation Resources Holdings LLC, Gulf Pine Energy Partners, LP, High Ground Energy Inc., Saguaro Resources Ltd. and Serafina Energy Ltd. Before joining Pine Brook, Mr. Maa was a vice president at Denham Capital Management, LP, where he specialized in energy infrastructure and oilfield services investment opportunities. Prior to that, Mr. Maa was an analyst in the Global Investment Research Group at Goldman, Sachs & Co, where he focused on energy master limited partnerships. Earlier in his career, he spent two years with Apache Corporation as an analyst in the Strategic Planning Group. Mr. Maa holds a B.B.A. in Finance from the University of Texas and an M.B.A. from Columbia Business School.

Mr. Chew joined Pine Brook in August 2012 and is a principal on the energy investment team. He represents Pine Brook as a director of Ancova Midstream, LLC, Gulf Pine Energy Partners, LP and Red Bluff Resources, LLC. Prior to joining Pine Brook, Mr. Chew was with Oppenheimer & Co., where he was an analyst in the Industrial Growth and Services Group specializing in transactions related to oil & gas, midstream, chemicals and transportation. Mr. Chew holds a B.S. in Business Administration (cum laude) from the Robins School of Business at the University of Richmond, with a dual concentration in Finance and Economics.

Mr. Gould has 28 years' experience with Royal Dutch Shell/Shell Canada and over three years with Athabasca Oil Corp. He has completed over $25 billion in transactions, including corporate/asset acquisitions, sales and Joint Ventures. Mr. Gould has experience in conventional oil & gas assets, EOR, oil sands, and unconventional resource plays.

Pension Plan Benefits

Gulf Pine does not have a pension plan or provide any benefits following or in connection with retirement.

Non-Arm's Length Party Transactions

Gulf Pine has not acquired any assets or services in any transaction within the five years prior to the date of this Filing Statement, or in any proposed transaction, from a director, officer, promoter or principal unitholder of Gulf Pine, or any associate or affiliate thereof.

Legal Proceedings

Gulf Pine is not a party to, nor is any of its property the subject matter of, any legal proceedings, and management of Gulf Pine is not aware of any such proceedings to be contemplated.

Material Contracts

Gulf Pine has not entered into any material contracts within the two years prior to the date hereof except:

(a) the Equity Purchase Agreement; and

(b) the Credit Agreement.

Copies of these agreements will be available for inspection without charge at the offices of the Gulf Pine's counsel, McCarthy Tétrault LLP, at Suite 4000, 421 - 7 Avenue S.W., Calgary, Alberta, T2P 4K9, during ordinary business hours, until the date of closing of the Transaction and for a period of 30 days thereafter.

INFORMATION CONCERNING THE RESULTING ISSUER

Corporate Structure

Name and Incorporation

The Standard Shareholders considered, at the annual general and special meeting of Standard held on December 11, 2018 (the "**Meeting**"), among other matters, a name change from "Standard Exploration Ltd." to "Southern Energy Corp." (the "**Name Change**") and a consolidation of the Standard Shares on the basis of one pre-consolidation Standard Share for up to every ten post-consolidation Standard Shares (the "**Consolidation**"). Standard received the requisite shareholder approval for the Name Change and the Consolidation at the Meeting. The Consolidation, on the basis of one post-consolidated Standard Share for every five pre-consolidated Standard Shares, and the Name Change are anticipated to be completed promptly subsequent to completion of the Transaction. Further information in respect of the Name Change and the Consolidation is available in the management information circular dated November 13, 2018 sent to the Standard Shareholders relating to the Meeting and filed on www.sedar.com.

Standard will continue to be incorporated pursuant to the provisions of the CBCA. The head and registered office of the Resulting Issuer will be located at 4000, 421 - 7 Avenue S.W., Calgary, Alberta, T2P 4K9.

Intercorporate Relationships

As a result of the Acquisition, Gulf Pine will become wholly-owned subsidiaries of the Resulting Issuer.

Narrative Description of the Business

Stated Business Objectives

It is anticipated that upon completion of the Transaction, the Resulting Issuer's core operating properties in Mississippi will be developed and expanded through a detailed technical analysis of available data, including reservoir characteristics, original crude oil and natural gas in place, recovery factors and the application of exploitation drilling and enhanced recovery techniques.

In each of its core areas, the Resulting Issuer's growth strategy is to:

1. acquire and consolidate complementary prospective lands and drilling location opportunities;
2. build a sufficient inventory of land and drilling locations to support five to seven years of field operational activities; and
3. manage uncertainty through the technical and operating experience Gulf Pine has in each of these geographic areas.

To execute its business plan, the Resulting Issuer requires: (i) access to land and additional opportunities; (ii) appropriate commercial terms; (iii) access to services and goods for operations; (iv) acquisition and operational success; and (v) timely financing for all such activities.

Milestones, Exploration and Development

With respect to the Gulf Pine Assets, the Resulting Issuer intends to drill a horizontal gas well at Gwinville within the first two quarters of 2019.

The capital expenditures required for the above operations are estimated to include drilling, completing, equip and tie-in of a horizontal gas well at USD$4,300,000, with an expected completion date of April 1, 2019.

The Resulting Issuer anticipates that risks associated with these programs will largely be relating to the timing of regulatory approval and weather. The Resulting Issuer assesses the technical risk of these operations because of the existing well control, production history and seismic coverage for the operations.

The Resulting Issuer will concurrently evaluate and potentially execute complementary acquisitions.

Description of Securities

The authorized capital of the Resulting Issuer will be the same as the authorized capital of Standard. See "*Information Concerning Standard - Description of the Securities*".

At the Meeting, the Standard Shareholders approved, among other things, the Consolidation of the Standard Shares on the basis of up to 10 pre-consolidated Standard Shares for every one post-consolidated Standard Share. The proposed management of the Resulting Issuer expects to effect the Consolidation on a 5-for-1 basis immediately subsequent to the completion of the Transaction. Further information in respect of the Consolidation is available in the management information circular dated November 13, 2018 sent to the Standard Shareholders relating to the Meeting and filed on www.sedar.com.

Pro Forma Capitalization

Pro Forma Capitalization

The following table sets forth the pro forma capitalization of the Resulting Issuer as at the Closing Date, assuming completion of the Consolidation, Private Placement and the Acquisition, as well as certain other adjustments, assuming a raise of $17.0 million and $25.0 million.

Designation of Security	**Amount Authorized or to be Authorized**	**Amount Outstanding after giving effect to the Consolidation and before giving effect to the Private Placement and the Acquisition**	**Amount Outstanding after giving effect to the Consolidation, Private Placement, and the Acquisition (assuming a raise of $17.0 million)**	**Amount Outstanding after giving effect to the Consolidation, Private Placement, and the Acquisition (assuming a raise of $25.0 million)**
Common Shares	Unlimited	24,246,971	194,246,971	274,246,971
Preferred Shares	Unlimited	Nil	Nil	Nil

Note:
(1) As of the date of this Filing Statement, approximately $18 million has been raised.

Fully Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the fully diluted share capital of the Resulting Issuer after giving effect to the Consolidation, Private Placement and the Acquisition, assuming a raise of $17.0 million and $25.0 million.

	Number of Standard Shares after giving effect to the Consolidation and the Transaction (assuming a raise of $17.0 million)[(1)]	Percentage of Fully Diluted Share Capital (assuming a raise of $17.0 million)	Number of Standard Shares after giving effect to the Consolidation and the Transaction (assuming a raise of $25.0 million)[(1)]	Percentage of Fully Diluted Share Capital (assuming a raise of $25.0 million)
Standard Shares issued and outstanding	24,246,971	8.58%	24,246,971	6.69%
Standard Shares authorized for issuance pursuant to the Standard Options	1,520,000	0.54%	1,520,000	0.42%
Standard Shares to be issued in connection with the Private Placement	170,000,000	60.15%	250,000,000	68.94%
Standard Shares authorized for issuance in connection with the Private Placement (Performance Warrants)[(2)]	86,880,000	30.74%	86,880,000	23.96%
Total Number of Securities[(3)]	282,646,971	100%	362,646,971	100%

Notes:

(1) The Standard Options will be exercised or cancelled in connection with the Transaction.

(2) Assumes: (i) 57,920,000 Units are subscribed for under the Private Placement (on a post-Consolidated basis); and (ii) the conditions are met for each Performance Warrant to be exercised into 1.5 Standard Shares. Refer to "*The Transaction - Details of the Reorganization and Investment Agreement – the Private Placement*".

(3) As of the date of this Filing Statement, approximately $18 million has been raised.

(4) Totals may not add due to rounding.

<u>Available Funds and Principal Purposes</u>

Funds Available

Total funds available to the Resulting Issuer, assuming the Private Placement closes for gross proceeds of $17.0 million and $25.0 million are outlined in the table below.

Source	Amount of Funds	Amount of Funds
Proceeds from the Private Placement	$17,000,000	$25,000,000
Anticipated fees	($510,000)	($1,500,000)
Working capital of Standard as at November 30, 2018	$750,000	$750,000
Working capital (deficiency) of Gulf Pine as at November 30, 2018	($1,050,000)	($1,050,000)
Total	$16,190,000	$23,200,000

Principal Purposes of Funds

The Resulting Issuer intends to use the available funds for the purposes presented in the table set forth below in the estimated amounts set forth opposite the purposes. The available funds will be used to pay the purchase price for the Acquisition and related transaction costs, to fund the Resulting Issuer's short term exploration and development costs and other expenses in respect of the Gulf Pine Assets, and for general corporate purposes as follows:

Anticipated Use of Funds	Amount of Funds
Cash consideration for the Acquisition(1)	$4,500,000
Mississippi - Drilling(2)	$5,700,000
Estimated Transaction Costs	$2,200,000
Total	$12,400,000(3)

Notes:

(1) Acquisition cash consideration of USD$3,425,000 using a foreign exchange FX CAD/USD rate of 1.32.

(2) Mississippi drilling of US$4,300,000, CAD equivalent using an FX rate of 1.32.

(3) The Resulting Issuer anticipates that general and administrative costs will be funded through positive cash flow from operations.

The Resulting Issuer will spend the estimated funds available to it on completion of the Transaction and for the principal purposes as indicated above. Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve these objectives. Until required for the Resulting Issuer's purposes, the proceeds will only be invested in investment grade securities or in certificates of deposit or interest bearing accounts of Canadian chartered banks, trust companies or credit unions.

The Resulting Issuer may also require additional funds in order to fulfill all of the Resulting Issuer's future expenditure requirements or obligations, in which case the Resulting Issuer may raise additional funds either through the issuance of equity or by incurring debt to satisfy such requirements or obligations. There is no assurance that any additional funding required by the Resulting Issuer will be available.

While actual expenditures may in fact differ from the amounts and allocations indicated above, the net proceeds will be used in furtherance of the Resulting Issuer's business.

Dividends

It is the current intention of the anticipated directors of the Resulting Issuer to retain any earnings to finance the growth and development of the Resulting Issuer's business, and, therefore the Resulting Issuer does not anticipate paying any dividends in the immediate or foreseeable future.

Principal Securityholders

To the knowledge of Standard and Gulf Pine no person is anticipated to own, directly or indirectly, or exercise control or direction over, more than ten percent (10%) of the issued and outstanding securities of the Resulting Issuer after giving effect to the Transaction.

Directors, Officers and Promoters

Name, Address, Occupation and Security Holdings

Each proposed director of the Resulting Issuer will hold office until the next annual meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the provisions of the CBCA or the constating documents of the Resulting Issuer. The information set forth below relating to the proposed directors and officers is based partly on Gulf Pine's records and partly on information received by Gulf Pine from said directors. The information below sets forth the director's or officer's name, residence and position to be held with the Resulting Issuer, the date on which the director was first elected, the director's or officer's principal occupation during the last five years and the number and percentage of Resulting Issuer Shares expected to be beneficially owned, directly or indirectly, or over which control or direction is exercised by the director or officer after giving effect to the Transaction and after giving effect to the Consolidation.

Name, Residence and Proposed Position	Director of Gulf Pine or Standard Since	Principal Occupation during the last five years	Anticipated Number and Percentage of Resulting Issuer Shares after giving effect to the Transaction and the Consolidation (assuming a raise of $17.0 million)
Ian Atkinson *Calgary, Alberta* Director, President and Chief Executive Officer	N/A	Mr. Atkinson was the founder, President and Chief Executive Officer of Gulf Pine since 2014. Prior thereto, Mr. Atkinson was a founder and Senior Executive Officer of Athabasca Oil Corporation ("**Athabasca**").	10,000,000 (5.15%)
Calvin Yau *Calgary, Alberta* Vice President, Finance and Chief Financial Officer	N/A	Co-founder of Gulf Pine and the Vice President, Finance and Chief Financial Officer since 2014. Prior thereto, Mr. Yau was the Vice President, Finance and Chief Financial Officer of Dixie Energy Trust.	1,500,000 (0.77%)
Chris Birchard *Calgary, Alberta* Vice President, Geoscience	N/A	Co-founder of Gulf Pine Energy and was the Vice President, Geosciences since 2014. Prior thereto, Mr. Birchard was the Senior Geologist and Team Lead at Athabasca.	500,000 (0.26%)
Gary McMurren *Calgary, Alberta* Vice President, Engineering	N/A	Co-founder of Gulf Pine and the Vice President, Engineering since 2014. Prior thereto, Mr. McMurren was the Director of Light Oil at Athabasca.	1,750,000 (0.90%)
Sanjib Gill *Calgary, Alberta* Corporate Secretary	N/A	Mr. Gill's principal occupation during the last five years has been practicing law as a partner of McCarthy Tétrault LLP, primarily in the areas of corporate finance, mergers and acquisitions.	4,000,000 (2.06%)
Bruce Beynon *Calgary, Alberta* Director	N/A	Mr. Beynon is the Executive Vice President, Exploration and Corporate Development at Baytex Energy Corp. and was most recently the President of Raging River Exploration Inc. until August 2018. Prior thereto, Mr. Beynon has held executive positions with Compass Petroleum Partnership, Peloton Exploration Corp., Espoir Exploration Corp. and KeyWest Energy Inc.	1,250,000 (0.64%)
Michael G. Kohut *Calgary, Alberta* Director	N/A	Mr. Kohut is the Chairman of the Board at Big Rock Brewery Inc. and is a Director of Ikkuma Resources Corp. He was the Vice President of Finance at Paramount Resources Ltd. from November, 2017 to April 2018. Mr. Kohut was the Chief Financial Officer of Trilogy Energy Corp. from June 2006 to October 2017.	2,500,000 (1.29%)
Tamara MacDonald *Calgary, Alberta* Director	N/A	Ms. MacDonald was most recently the Senior Vice President, Corporate and Business Development of Crescent Point Energy Corp. Prior thereto, Ms. MacDonald worked with NCE Petrofund Corp., Merit Energy Ltd., Tarragon Oil & Gas Ltd. and Northstar Energy Corp.	1,000,000 (0.51%)
Andrew McCreath Toronto, Ontario Director	N/A	Mr. McCreath is a CFA with over 30 years of experience in the investment community including the last 20 years as a Portfolio Manager. Mr. McCreath has managed Sentry Diversified Total Return Fund and Sentry Market Neutral LP. Mr. McCreath is also the Market Commentator on BNN Bloomberg TV.	1,000,000 (0.51%)

Name, Residence and Proposed Position	Director of Gulf Pine or Standard Since	Principal Occupation during the last five years	Anticipated Number and Percentage of Resulting Issuer Shares after giving effect to the Transaction and the Consolidation (assuming a raise of $17.0 million)
C. Neil Smith *Calgary, Alberta* Director	N/A	Mr. Smith was the Chief Operating Officer at Crescent Point Energy Corp. where he was responsible for all aspects of the company's capital budget, safe operations, reserves management and acquisition evaluations as well as corporate operations risk management analysis and social responsibility reporting.	1,500,000 (0.77%)
R. Steven Smith Calgary, Alberta Director	N/A	Mr. Smith is currently the CFO of Broadview Energy Ltd. and a Director of Broadview Energy and Karve Energy Inc. Prior thereto, Mr. Smith has held executive roles at Canadian Pioneer Petroleum Ltd., Poco Petroleums Ltd., Renaissance Energy, and Pan East Petroleum Corp.	5,000,000 (2.57%)

Notes:

(1) Messrs. Steven Smith, Neil Smith, McCreath, Kohut and Ms. MacDonald are anticipated to form part of the Resulting Issuer's Corporate Governance and Compensation Committee.

(2) Messrs. Kohut, McCreath and Steven Smith are anticipated to form part of the Resulting Issuer's Audit Committee.

(3) Messrs. Neil Smith, Beynon and Ms. MacDonald are anticipated to form part of the Resulting Issuer's Reserves, Health, Safety, and Environment Committee.

Management

The following information relates to the proposed management of the Resulting Issuer.

Ian Atkinson, Chief Executive Officer, President and Director (full time)

Mr. Atkinson, age 48, will assume the role of Chief Executive Officer and President of the Resulting Issuer. In this capacity, Mr. Atkinson will be responsible for the execution of the strategic plan of the Resulting Issuer as well as implementing the decisions, guidelines and policies of the board of directors. Mr. Atkinson will work full-time for the Resulting Issuer as an employee of the Resulting Issuer.

Mr. Atkinson has been the founder of several private and public oil and gas companies with over 25 years of technical, executive and board of director experience. Mr. Atkinson was the founder, President and Chief Executive Officer of Gulf Pine since 2014. Prior thereto, Mr. Atkinson was a founder and Senior Executive Officer of Athabasca. Mr. Atkinson holds a Masters of Science degree in Engineering and an ICD.D designation.

Calvin Yau, Vice President, Finance and Chief Financial Officer (full time)

Mr. Yau, age 40, will assume the role of Vice President, Finance and Chief Financial Officer of the Resulting Issuer. In this capacity, Mr. Yau will be responsible for the financial management of the Resulting Issuer including financial reporting, corporate accounting, budgeting and forecasting as well as stewardship of internal controls. Mr. Yau will work full-time for the Resulting Issuer as an employee of the Resulting Issuer.

Mr. Yau was a co-founder of Gulf Pine and was the Vice President, Finance and Chief Financial Officer since 2014. Mr. Yau is a chartered accountant with over 15 years of financial experience including numerous debt and equity offerings and M&A transactions in the oil and gas industry.

Chris Birchard, Vice President, Geoscience (full time)

Mr. Birchard, age 44, will assume the role of Vice President, Geoscience of the Resulting Issuer. In this capacity, Mr. Birchard will be responsible for the execution with respect to the exploration of development activities of the Resulting Issuer. Mr. Birchard will work full-time for the Resulting Issuer as an employee of the Resulting Issuer.

Mr. Birchard was a co-founder of Gulf Pine and was the Vice President, Geosciences since 2014. Mr. Birchard has over 20 years of exploration and management experience in the oil and gas industry. Previously, Mr. Birchard was the Senior Geologist and Team Lead at Athabasca Oil Corporation.

Gary McMurren, Vice President, Engineering (full time)

Mr. McMurren, age 41, will assume the role of Vice President, Engineering of the Resulting Issuer. In this capacity, Mr. McMurren will be responsible for the execution of the corporate vision in the management of all engineering reserves and resources evaluations, reporting, reservoir engineering, exploitation, acquisition and divestment, environment and technology. Mr. McMurren will work full-time for the Resulting Issuer as an employee of the Resulting Issuer.

Mr. McMurren was a co-founder of Gulf Pine and was the Vice President, Engineering since 2014. Mr. McMurren has over 20 years of engineering, operational and management experience in the oil and gas industry. Previously, Mr. McMurren was the Director of Light Oil at Athabasca Oil Corporation.

Sanjib Gill, Corporate Secretary (part time)

Mr. Gill, age 42, will assume the role of Corporate Secretary of the Resulting Issuer. In this capacity Mr. Gill will be responsible for advising the Resulting Issuer's Board of Directors in performing its duties. Sanjib Gill is a partner at McCarthy Tétrault LLP, a national law firm. Mr. Gill has dealt with all aspects of a public and private company's creation, growth, restructuring and value maximization. Mr. Gill has extensive experience in the negotiation, structuring and consummation of a broad range of corporate finance, securities and mergers and acquisitions transactions. He serves on the board of directors of, and acts as corporate secretary to, numerous public and private companies. Mr. Gill is recognized in *Chambers Canada* as a leader in Corporate Commercial – Alberta. He also appears in the *Canadian Legal Lexpert Directory* as a leading lawyer in the area of Corporate Mid-Market, and as a leading lawyer in the current edition of *Who's Who Legal: Energy*. In 2011, he was named among *Lexpert* magazine's Rising Stars: Leading Lawyers Under 40.

Bruce Beynon, Director

Mr. Beynon, age 54, is a professional geologist with 30 years of oil and gas industry experience. Mr. Beynon is the Executive Vice President, Exploration and Corporate Development at Baytex Energy Corp. and was most recently the President of Raging River Exploration Inc. until August, 2018. Mr. Beynon also held executive positions with Compass Petroleum Partnership, Peloton Exploration Corp., Espoir Exploration Corp. and KeyWest Energy Inc. Mr. Beynon graduated with a Masters of Science degree in Geology in 1991.

Michael G. Kohut, Director

Mr. Kohut, age 52, is the Chairman of the Board at Big Rock Brewery Inc. and is a Director of Ikkuma Resources Corp. He was the Vice President of Finance at Paramount Resources Ltd. from November, 2017 to April 2018. Mr. Kohut was the Chief Financial Officer of Trilogy Energy Corp. from June, 2006 to October 2017. Mr. Kohut has over 25 years of experience in senior executive roles at various companies and on various boards of directors.

Tamara MacDonald, Director

Ms. MacDonald, age 49, was most recently the Senior Vice President, Corporate and Business Development of Crescent Point Energy Corp. ("**Crescent Point**"). Ms. MacDonald has over 26 years of industry experience. Prior to Crescent Point, Ms. MacDonald worked with NCE Petrofund Corp., Merit Energy Ltd., Tarragon Oil & Gas Ltd. and Northstar Energy Corp. She has a Bachelor of Commerce Degree with a major in Petroleum Land Management from the University of Calgary, an ICD.D designation.

Andrew McCreath, Director

Mr. McCreath, age 62, is a CFA with over 30 years of experience in the investment community including the last 20 years as a Portfolio Manager. Mr. McCreath managed Sentry Diversified Total Return Fund and was the winner of the 2011 Lipper Award for the Best Fund Over Three Years in the Canadian Focused Equity Category. Mr. McCreath also managed Sentry Market Neutral LP and was the winner of the 2010 Morningstar Best Relative Value Hedge Fund (Gold in 2010). Mr. McCreath is also the Market Commentator on BNN Bloomberg TV.

C. Neil Smith, Director

Mr. Smith, age 57, has over 32 years of technical, financial and international capital markets experience. Most recently, Mr. Smith was the Chief Operating Officer at Crescent Point where he was responsible for all aspects of the company's capital budget, safe operations, reserves management and acquisition evaluations as well as corporate operations risk management analysis and social responsibility reporting. He has a proven track record of creating shareholder value through innovative development of assets in a safe and capital-efficient manner.

R. Steven Smith, Director

Mr. Smith, age 63, is a CA, CPA and currently the CFO of Broadview Energy Ltd. and a Director of Broadview Energy and Karve Energy Inc. He started his career in the oil and gas industry in finance with management and executive roles at numerous companies including Canadian Pioneer Petroleum Ltd., Poco Petroleums Ltd., Renaissance Energy, and Pan East Petroleum Corp. Mr. Smith has spent 12 years as an executive in the oil and gas industry and 20 years in the buy-side and sell-side of the investment industry as the Chief Financial Officer and Portfolio Manager with Norrep Capital Management Ltd. and Vice President and Director - Institutional Research at FirstEnergy Capital.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below, no proposed director, officer or Promoter of the Resulting Issuer, nor a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has, within ten years before the date hereof, been a director, officer or Promoter of any person or company that, while such person was acting in that capacity:

(a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael Kohut

Mr. Kohut was a director of Great Prairie Energy Services Inc. ("**Great Prairie**") on January 22, 2016 when it applied for and obtained an order from the Court of Queen's Bench of Alberta under the Companies' Creditors Arrangement Act. Mr. Kohut resigned as a director of Great Prairie on January 22, 2016.

Sanjib Gill

Mr. Gill was the Corporate Secretary of Action Energy Corp., a corporation engaged in the exploration, development and production of oil and gas in Western Canada. Action Energy Corp. was placed into receivership on October 28, 2009 by its major creditor and Mr. Gill resigned as the Corporate Secretary immediately thereafter.

Penalties or Sanctions

No proposed director, officer or Promoter of the Resulting Issuer, nor a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been:

(a) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered material to the Transaction.

Personal Bankruptcies

No proposed director, officer or Promoter of the Resulting Issuer, nor a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons, has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the its assets.

Conflicts of Interest

There are potential conflicts of interest to which some of the proposed directors, officers and Promoters of the Resulting Issuer will be subject in connection with the operations of the Resulting Issuer. Some of the proposed directors, officers and Promoters are engaged in and will continue to be engaged in companies or businesses which may be in competition with the business of the Resulting Issuer. Accordingly, situations may arise where some or all of the proposed directors, officers and Promoters will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies as provided under the CBCA. See also "*Risk Factors*".

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and Promoters of the Reporting Issuer that are, or have been within the five years prior to the date hereof, a director, officer or promoter of other reporting issuers:

Name	Name of Reporting Issuer	Exchange	Position	From	To
Bruce Beynon	Baytex Energy Corp.	TSX	Executive Vice President, Corporate Development	August 2018	Present

Name	Name of Reporting Issuer	Exchange	Position	From	To
	Raging River Exploration Inc.	TSX	President	June 2017	August 2018
	Raging River Exploration Inc.	TSX	Executive Vice President	December 2015	June 2017
	Raging River Exploration Inc.	TSX	Vice President, Exploration	March 2012	December 2015
Michael Kohut	Paramount Resources Ltd.	TSX	Vice President, Finance	October 2017	March 2018
	Trilogy Energy Corp.	TSX	Chief Financial Officer	June 2006	October 2017
	Big Rock Brewery Inc.	TSX	Director, Chairman of the Board	March 2008	Present
	Ikkuma Resources Corp.	TSXV	Director	June 2014	Present
	Great Prairie Energy Services Inc.	TSXV	Director	February 2011	January 2016
C. Neil Smith	Crescent Point Energy Corp.	TSX	Chief Operating Officer	August 2003	September 2018
Tamara MacDonald	Crescent Point Energy Corp.	TSX	Senior Vice President, Corporate and Business Development	October 2004	July 2018
Sanjib Gill	Spartan Energy Corp.	TSX	Corporate Secretary	December 2013	May 2018
	SugarBud Craft Growers Corp.	TSXV	Corporate Secretary	June 2014	Present
	Striker Exploration Corp.	TSXV	Corporate Secretary	June 2014	July 2016
	Hyperion Exploration Corp.	TSXV	Corporate Secretary	July 2010	January 2015
	Aldershot Resources Ltd.	TSXV	Corporate Secretary	June 2018	Present
	Target Capital Inc.	CSE	Corporate Secretary	December 2017	Present
	Razor Energy Corp.	TSXV	Director	February 2017	Present

STATEMENT OF EXECUTIVE COMPENSATION

Set forth below is certain information regarding the anticipated compensation of the Resulting Issuer's directors and executive officers.

Compensation Discussion and Analysis

In assessing the compensation of its executive officers, the Resulting Issuer will not have in place any formal objectives, criteria or analysis; instead, it will rely mainly on board discussion.

The Resulting Issuer's executive compensation program is anticipated to have three principal components: base salary, incentive bonus plan and stock options.

Base salaries for all employees of the Resulting Issuer will be established for each position through comparative salary surveys of similar type and size corporations. Individual and corporate performance will also be taken into account.

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performance for executive officers and employees.

The compensation to be paid to the Resulting Issuer's directors and named executive officers is not known at this time.

Option-Based Awards

Stock options will be granted to provide an incentive to the directors, officers, employees and consultants of the Resulting Issuer to achieve the longer-term objectives of the Resulting Issuer; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Resulting Issuer; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Resulting Issuer. Previous grants of incentive stock options will not be taken into account when considering new grants.

Implementation of a new incentive stock option plan and amendments to the existing stock option plan will be the responsibility of the Resulting Issuer Board.

Incentive Plan Awards

The number of anticipated options to be granted to the Resulting Issuer's executive officers to purchase or acquire securities of the Resulting Issuer for the twelve month period after giving effect to the Transaction is not known at this time.

Indebtedness of Directors and Officers

No current director or officer of Standard or Gulf Pine, no proposed director or officer of the Resulting Issuer, and no associate of any such director or officer, is indebted to Standard or Gulf Pine or has any indebtedness to another entity that is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Standard or Gulf Pine.

Investor Relations Agreements

It is not anticipated that the Resulting Issuer will enter into any investor relations agreements.

Options To Purchase Securities

There are no options to acquire Resulting Issuer Shares anticipated to be outstanding upon completion of the Transaction.

Stock Option Plan

The stock option plan of the Resulting Issuer will continue to be the Standard Stock Option Plan. See "*Information Concerning Standard – Standard Stock Option Plan*".

Escrowed Securities

The following table provides details of certain Standard Shares that are subject to a pooling agreement and currently held in escrow until the TSXV has granted final acceptance of the Transaction.

Name and Municipality of Residence of Securityholder	Designation of Class	Number of Shares Held in Escrow	Percentage of Class prior to giving effect to the Consolidation and the Private Placement	Percentage of Class after giving effect to the Consolidation and the Private Placement (assuming a $17.0 million raise)	Percentage of Class after giving effect to the Consolidation and the Private Placement (assuming a $25.0 million raise)
Dale Burstall Calgary, Alberta	Standard Shares	1,300,000	1.07%	0.13%	0.09%
Network Capital Inc.(1)	Standard Shares	1,000,000	0.82%	0.10%	0.07%

Horizon Energy Ltd.[(2)]	Standard Shares	792,008	0.65%	0.08%	0.06%
Nancy Marano Calgary, Alberta	Standard Shares	193,073	0.15%	0.03%	0.01%
Tom MacKay Calgary, Alberta	Standard Shares	2,520,942	2.08%	0.26%	0.18%
Alan Breakey Calgary, Alberta	Standard Shares	4,486,641	3.70%	0.46%	0.33%

Notes:
(1) The Standard Shares held by Network Capital Inc. are beneficially owned by David Richards.
(2) The Standard Shares held by Horizon Energy Ltd. are beneficially owned by Nancy Marano.
(3) As of the date of this Filing Statement, approximately $18 million has been raised.

Auditor, Transfer Agent and Registrar

The auditors of the Resulting Issuer are expected to be MNP LLP, Chartered Professional, Licensed Public Accountants, 1500, 640 – 5th Avenue S.W., Calgary, Alberta T2P 3G4. If management of the Resulting Issuer elects to change the auditors of the Resulting Issuer, such a change will be effected in accordance with the securities law requirements applicable to a change of auditors and the appropriate notice documentation will be prepared.

The transfer agent and registrar of the Resulting Issuer will be Computershare Trust Company of Canada, 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

GENERAL MATTERS

Sponsor

A general policy of the Exchange requires that a sponsor be retained to prepare a sponsor report in compliance with Exchange Policy 2.2, unless an exemption from sponsorship is available. Standard has engaged Eight Capital, as a sponsor for the Transaction. Pursuant to a sponsorship agreement between Standard and Eight Capital, Eight Capital will provide the Exchange with a Sponsor Report and if required, a Sponsorship Acknowledge Form, as such terms are defined in Exchange Policy 2.2.

As compensation for its services as a sponsor in connection with the Transaction, Eight Capital will receive a sponsorship fee of $100,000. Eight Capital has no other material interest in either Standard or Gulf Pine.

Interests of Experts

NSAI prepared the NSAI Report. As at the date hereof, the partners and associates of NSAI do not own, directly or indirectly, any of the securities of Standard or Gulf Pine.

MNP LLP are the auditors of Standard and have confirmed that they are independent with respect to Standard within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulators.

Deloitte LLP are the auditors of Gulf Pine and have confirmed that they are independent with respect to Gulf Pine within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

Other Material Facts

To management's knowledge, there are no other material facts relating to Standard, Gulf Pine, the Resulting Issuer or the Transaction that are not otherwise disclosed herein or are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to Standard, Gulf Pine or the Resulting Issuer, assuming completion of the Transaction.

Board Approval

The Standard Board has approved this Filing Statement.

CERTIFICATE OF STANDARD

DATED: December 19, 2018

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Standard Exploration Ltd. assuming completion of the Transaction.

(signed) *"Ian Atkinson"*	(signed) *"Calvin Yau"*
President and Chief Executive Officer	Vice President, Finance and CFO

On Behalf of the Board of Directors

(signed) *"Bruce Beynon"*	(signed) *"R. Steven Smith"*
Director	Director

CERTIFICATE OF GULF PINE

DATED: December 19, 2018

The foregoing, as it relates to Gulf Pine constitutes full, true and plain disclosure of all material facts relating to the securities of Gulf Pine.

(signed) *"Erin Buschert"*	(signed) *"Jim McFadyen"*
Vice President, Land	*Vice President, Operations*

On Behalf of the Board of Managers

(signed) *"Bryan Gould"*	(signed) *"Ian Atkinson"*
Manager	*Manager*

SCHEDULE “A”

Financial Statements of Standard

STANDARD EXPLORATION LTD.

Financial Statements

For the Years Ended December 31, 2017 and 2016

Independent Auditors' Report

To the Shareholders Standard Exploration Ltd.

We have audited the accompanying financial statements of Standard Exploration Ltd., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Standard Exploration Ltd. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
April 26, 2018

Chartered Professional Accountants

MNP LLP

Standard Exploration Ltd.

Statements of Financial Position

As at December 31,

(amounts in Canadian dollars)

	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents		$ 919,199	$ 603,637
Accounts receivable	4(c)	97,864	131,905
Deposits and prepaid expenses		123,448	123,098
Total current assets		1,140,511	858,640
Exploration and evaluation assets	6	-	-
Property and equipment	7	2,608,603	3,616,303
Total assets		$ 3,749,114	$ 4,474,943
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4(d)	$ 243,654	$ 193,480
Total current liabilities		243,654	193,480
Decommissioning provisions	8	1,093,699	1,268,533
Total liabilities		1,337,353	1,462,013
Shareholders' Equity			
Share capital	10	15,922,585	15,922,585
Contributed surplus		3,882,891	3,878,166
Deficit		(17,393,715)	(16,787,821)
Total shareholders' equity		2,411,761	3,012,930
Total liabilities and shareholders' equity		$ 3,749,114	$ 4,474,943
Contingency	4(d)		

See accompanying notes to the financial statements.

Approved by the Board of Directors,

(signed)
"Tom MacKay"
Director

(signed)
"David Richards"
Director

Standard Exploration Ltd.

Statements of Loss and Comprehensive Loss

Years Ended December 31,

(amounts in Canadian dollars)

	Notes	2017	2016
Revenue			
Petroleum and natural gas sales		$ 868,634	$ 909,928
Royalties		(103,634)	(96,575)
		765,000	813,353
Expenses			
Production and operating		222,915	144,994
Transportation		44,856	66,352
Exploration and evaluation		47,705	79,784
Impairment of exploration and evaluation assets	6	-	2,382,863
Depletion and depreciation	7	371,626	491,612
General and administrative		584,112	626,180
Share-based compensation	11(b)	4,725	43,832
Total expenses		1,275,939	3,835,617
Loss before the following:		(510,939)	(3,022,264)
Net finance income (loss)	12	17,415	(12,189)
Loss on disposition	7	(112,370)	-
Loss before income taxes		(605,894)	(3,034,453)
Income tax	9	-	-
Net loss and comprehensive loss for the year		$ (605,894)	$ (3,034,453)
Loss per share			
Basic and diluted	13	($0.01)	($0.03)

See accompanying notes to the financial statements.

Standard Exploration Ltd.

Statements of Changes in Shareholders' Equity

Years Ended December 31, 2017 and 2016

(amounts in Canadian dollars)

	Notes	Number of shares	Share capital stated value	Contributed surplus	Deficit	Total shareholders' equity
Balance at December 31, 2015		**121,234,854**	**$ 15,922,585**	**$ 3,834,334**	**$(13,753,368)**	**$ 6,003,551**
Share-based compensation	11(b)	-	-	43,832	-	43,832
Net loss for the year		-	-	-	(3,034,453)	(3,034,453)
Balance at December 31, 2016		**121,234,854**	**$ 15,922,585**	**$ 3,878,166**	**$(16,787,821)**	**$ 3,012,930**
Share-based compensation	11(b)	-	-	4,725	-	4,725
Net loss for the year		-	-	-	(605,894)	(605,894)
Balance at December 31, 2017		**121,234,854**	**$ 15,922,585**	**$ 3,882,891**	**$(17,393,715)**	**$ 2,411,761**

See accompanying notes to the financial statements.

Standard Exploration Ltd.

Statements of Cash Flows

Years Ended December 31,

(amounts in Canadian dollars)

	Notes	2017	2016
Operating activities			
Net loss for the year		$ (605,894)	$ (3,034,453)
Adjustments for:			
Share-based compensation		4,725	43,832
Depletion and depreciation		371,626	491,612
Impairment of exploration and evaluation assets	6	-	2,382,863
Loss on disposition	7	112,370	-
Net finance income (loss)		(17,415)	12,189
Cash decommissioning expenditures	8	(11,318)	(27,420)
Changes in non-cash working capital	5	77,291	(159,763)
Net cash used in operating activities		(68,615)	(291,140)
Investing activities			
Proceeds from disposition of property and equipment, net of selling costs	7	370,500	-
Changes in non-cash working capital	5	6,574	-
Net cash from investing activities		377,074	-
Financing activities			
Interest received		7,103	5,985
Changes in non-cash working capital	5	-	(795)
Net cash from financing activities		7,103	5,190
Change in cash and cash equivalents		315,562	(285,950)
Cash and cash equivalents, beginning of year		603,637	889,587
Cash and cash equivalents, end of year		$919,199	$ 603,637

See accompanying notes to the financial statements.

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 listed on the TSX Venture Exchange under the symbol SDE.V, incorporated and domiciled in Canada. The registered office is located at 100, 718 – 15th Avenue SW, Calgary, Alberta, Canada, T2R 0R6.

2. Basis of preparation

   (a) Statement of compliance

   These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

   These financial statements were approved and authorized for issuance by the Board of Directors on April 26, 2018.

   (b) Basis of measurement

   The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. The methods used to measure fair values are discussed in Note 4.

   (c) Functional and presentation currency

   These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

   (d) Use of estimates and judgments

   The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

   Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

   The following discussion sets forth management's most critical estimates, judgments and assumptions in preparation of the financial statements:

   Identification of cash-generating units (CGUs)

   The Corporation's petroleum and natural gas assets are grouped into CGUs based on the ability of these assets to generate separately identifiable independent cash inflows. The classification of assets into CGUs requires significant judgment and interpretation. Management considers factors such as integration among assets, shared infrastructure, common sales points, geography and how management makes decisions about the Corporation's operations.

Reserves

The Corporation's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 - Standards of Disclosure for Petroleum and Gas Activities*. The reserve assessment was completed by an external independent reserve engineering firm for the years ended December 31, 2017 and 2016.

Oil and natural gas reserves are used in the calculation of depletion, and impairment and/or impairment reversal determinations. Reserve estimates are based on engineering data, estimated future prices and costs, expected future rates of production and the timing of future capital expenditures; all of which are subject to many uncertainties and estimations. The Corporation expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, oil and gas production levels and reservoir performance and may also be affected by changes in commodity prices.

Recoverable value of exploration and evaluation assets, and property and equipment

Exploration and evaluation assets are inherently judgmental to value. The amounts for exploration and evaluation assets represent active exploration projects and investments. These amounts are recorded to profit or loss as exploration costs unless the determination process is not completed and there are no indications of impairment at the reporting date or commercial reserves are established. The outcome of ongoing exploration and evaluation activities and whether the carrying value of exploration and evaluation assets will ultimately be recovered is inherently uncertain and requires significant judgment and estimates.

Management performs impairment tests on the Corporation's property and equipment when indicators of impairment are present. The assessment of impairment indicators is subjective and considers the various internal and external factors such as the financial performance of individual CGUs, market capitalization and industry trends. In addition, the impairment assessment is impacted by how management determines the composition of CGUs. Management has grouped assets into CGUs based on several factors with a primary focus on assets whose cash inflows are independent. If impairment indicators are present an impairment test is required to be performed and the CGU is written down to its recoverable amount. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimate of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

Decommissioning provisions

The calculation of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

Valuation of accounts receivable

The valuation of accounts receivable is based on management's best estimate of collectability and provisions for doubtful accounts.

Valuation of contingent liability

The valuation of the contingent liability relating to the dissenting shareholder is based on management's best estimate of the ultimate settlement (note 4(d)).

Taxes

The amounts recorded for deferred taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently enacted or substantively enacted. They are also based on estimates of the probability of the Corporation utilizing certain tax pools and assets which, in turn, is dependent on estimates of proved and probable reserves, production rates, future petroleum and natural gas prices and changes in legislation, tax rates and interpretations by taxation authorities. The availability of tax pools is subject to audit and interpretation by taxation authorities.

Share options and warrants

The amounts recorded relating to the fair value of share options and warrants issued are based on estimates of the future volatility of the Corporation's share price, market price of the Corporation's shares at the grant date, expected lives of the options and warrants, risk-free interest rate, forfeiture rate, expected dividends and other relevant assumptions.

3. Significant accounting policies

(a) Joint arrangements

Many of the Corporation's petroleum and natural gas activities involve jointly controlled assets and are conducted under joint operating agreements. The Corporation has assessed the nature of its joint arrangements and determined them to be joint operations. The financial statements include the Corporation's share of these jointly controlled assets, liabilities, the relevant revenue and related expenses.

(b) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks, term deposits and other similar short-term highly liquid investments with maturities of 90 days or less at the date of issue.

(c) Exploration and evaluation expenditures and property and equipment

(i) Exploration and evaluation assets

Pre-licence expenditures incurred before the Corporation has obtained legal rights to explore an area are expensed as exploration and evaluation expenditures.

Exploration and evaluation assets include the costs of acquiring licences, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights and technical studies. Exploration and evaluation costs are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting petroleum and natural gas reserves have yet to be determined. Exploration and evaluation assets are measured at cost and are not depleted or depreciated. Exploration and evaluation assets, net of any impairment loss, are transferred to property and equipment when proved and/or probable reserves are determined to exist.

(ii) Property and equipment

Property and equipment of the Corporation consists of development and production assets and office furniture and equipment.

All costs directly associated with the development and production of petroleum and natural gas interests are capitalized by components (i.e. by well, area or combination thereof) within cash generating units and are measured at cost less accumulated depletion and depreciation and impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability have been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers from exploration and evaluation assets.

Exchanges or swaps of property and equipment are measured at fair value unless the transaction lacks commercial substance or neither the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in profit or loss.

(iii) Depletion and depreciation

Petroleum and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude petroleum on the basis of six thousand cubic feet of gas to one barrel of petroleum. Changes to estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Well and production equipment and facilities are depleted using the unit-of-production method along with the related reserves when the assets have a life similar to the reserves of the related wells and little to no residual value. Where costs of facilities and equipment, including major components, are significant in relation to the total costs of the assets and have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

Office furniture and equipment, referred to as corporate and other, are depreciated on a declining balance basis at a rate of 30% approximating their estimated useful lives.

(d) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated.

For the purposes of assessing impairment, property and equipment are grouped into CGUs, defined as the lowest levels for which there are separately identifiable independent cash inflows. Any goodwill is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less estimated costs of disposal may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in net profit or loss in the period determined.

Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are tested for impairment separately. If, at any time, it is determined that the Corporation has no future exploration plans and commercial production cannot be achieved in relation to an area, the associated costs are written down to the estimated recoverable amount and the amount of the write-down is expensed.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, as if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

(e) Provisions and contingent liabilities

Provisions are recognized by the Corporation when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

(f) Decommissioning provisions

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Corporation’s exploration and evaluation assets and property and equipment. The best estimate of the expenditure required to settle the present obligation at the reporting date is recorded on a discounted basis using a pre-tax risk-free interest rate at each reporting date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated asset and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to finance expense. Changes in the future cash flow estimates resulting from revisions to the estimated timing, amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and related asset. Actual decommissioning expenditures, up to the recorded liability recorded at the time, are charged against the provision as the costs are incurred.

(g) Taxes

Tax expense is comprised of current and deferred tax. Current tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(h) Revenue

Revenue from the production of crude oil and natural gas is recognized when title passes from the Corporation to the customer. Revenue represents the Corporation's share and is recorded before royalty obligations to governments and other mineral interest owners. Transportation costs are reported as a separate expense and are not netted against revenue.

(i) Finance income and expenses

Finance income includes interest income which is recognized in income as it accrues on a time proportion basis, using the effective interest method, and revaluation of the contingent liability.

Finance expenses include interest expense on any borrowings, accretion of the discount on decommissioning provisions and impairment losses recognized on financial assets.

Borrowing costs are recognized in the statement of income (loss) in the period in which they are incurred using the effective interest method.

(j) Share-based payments

Share options granted to directors, officers and employees of the Corporation and warrants are accounted for using the fair value method based on the estimated fair value of the share options and warrants at the grant date using the Black-Scholes option pricing model.

The Corporation measures share based payments to non-employees at the fair value of the goods or services received at the date of receipt of the goods or services. If the fair value of the goods or services cannot be measured reliably, the value of the options/warrants granted is measured using the Black-Scholes option pricing model.

Each tranche in a share option award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When share options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(k) Flow-through shares and warrants

From time to time, the Corporation finances a portion of its exploration and development activities through the issuance of flow-through shares and warrants. Under the terms of the flow-through agreements, the tax attributes of the related expenditures are renounced to subscribers. The amount recorded to share capital or warrants on flow-through issuances is equal to the estimated fair value of the common shares or warrants, exclusive of the flow-through component, on the date of issue. The difference between the gross proceeds received and the stated capital recorded is a liability (“flow-through share premium”), until qualifying expenditures are incurred. When the expenditures are incurred the resulting deferred tax liability is recorded through income tax expense less the reversal of the flow-through share premium previously reported.

(l) Loss per share

Loss per share is calculated by dividing net income or loss by the weighted average number of common shares outstanding during the period. The Corporation computes the dilutive impact of common shares assuming the proceeds received from the pro forma exercise of in-the-money share options are used to purchase common shares at average market prices.

(m) Financial instruments

(i) *Classification and measurement*

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit or loss”, “loans and receivables”, “available-for-sale”, “held-to-maturity”, or “financial liabilities measured at amortized cost”.

Financial assets and financial liabilities at “fair value through profit or loss” are either classified as “held-for-trading” or “designated at fair value through profit or loss” and are measured at fair value with changes in fair value recognized in the statement of loss and comprehensive loss. Transaction costs are expensed when incurred. The Corporation has designated cash and cash equivalents as “fair value through profit or loss”. Financial assets and financial liabilities classified as “loans and receivables”, “held-to-maturity”, or “financial liabilities measured at amortized cost” are measured at amortized cost using the effective interest method of amortization. “Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. “Held-to-maturity” financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. “Financial liabilities measured at amortized cost” are those financial liabilities that are not designated as “fair value through profit or loss” and that are not derivatives. The Corporation has designated accounts receivable and deposits as "loans and receivables" and accounts payable and accrued liabilities as "financial liabilities measured at amortized cost".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Corporation currently has no financial instruments included in this category.

(ii) *Equity instruments*

The Corporation's outstanding common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares and warrants are recognized as a deduction from equity, net of any tax effects.

(iii) *Impairment*

The Corporation assesses at each balance sheet date whether there is objective evidence that financial assets, other than those designated as "fair value through profit or loss" are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of loss and comprehensive loss. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of income in the period. Impairment losses may be reversed in subsequent periods.

(n) New accounting policies:

All new or revised accounting standards that were relevant to the Corporation were applied in preparing these financial statements.

(o) Future accounting pronouncements:

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following are relevant to the Corporation:

- *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 currently assessing 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 currently assessing 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 polices 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 cash and cash equivalents, 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.

The Corporation sells substantially all of its production to two marketers.

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.

(amounts in Canadian dollars)

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

	December 31, 2017	December 31, 2016
Petroleum and natural gas sales	$ 69,910	$ 110,412
Joint interest partners	1,367	920
GST	12,743	12,743
Other	13,844	7,830
	$ 97,864	$ 131,905
0 to 30 days	$ 71,304	$ 90,616
31 to 60 days	13,287	21,003
61 to 90 days	155	-
Greater than 90 days	13,118	20,286
	$ 97,864	$ 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 years ended December 31, 2017 or 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.

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

	December 31, 2017	December 31, 2016
Capital expenditures	$ 6,574	$ 3,736
General and administrative	46,268	41,502
Operating	160,847	114,292
Other	29,965	33,950
	$ 243,654	$ 193,480
0 to 30 days	$ 28,821	$ 45,245
31 to 60 days	30,762	19,352
61 to 90 days	15,250	9,279
Greater than 90 days	168,821	119,604
	$ 243,654	$ 193,480

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

At December 31, 2017 and 2016, the estimated 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 included in accounts payable and accrued liabilities is $29,965.

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 crude oil are determined in global markets and generally are denominated in United States dollars ("US$"). Natural gas prices obtained by the Corporation will be influenced by both United States and Canadian demand and the corresponding North American supply, and by imports of liquefied natural gas. An increase (decrease) in the value of the Canadian dollar relative to the US$ will decrease (increase) the revenues received from the sale of crude oil and natural gas commodities. The impact of such exchange rate fluctuations cannot be accurately quantified.

As at and for the years ended December 31, 2017 and 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 does not have any debt hence there is no exposure to interest rate risk as at December 31, 2017.

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.

A 10% change in the commodity prices, assuming that production remained constant at 2017 level, the Corporation's net loss would vary by $86,863.

(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.

(amounts in Canadian dollars)

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

	December 31, 2017	December 31, 2016
Current assets	$ 1,140,511	$ 858,640
Current liabilities	(243,654)	(193,480)
Working capital	**$ 896,857**	**$ 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 years ended December 31, 2017 and 2016.

5. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Sources (uses) of cash:		
Accounts receivable	$ 34,041	$ (29,879)
Deposits and prepaid expenses	(350)	1,118
Accounts payable and accrued liabilities	50,174	(131,797)
	$ 83,865	$ (160,558)
Related to operating activities	$ 77,291	$ (159,763)
Related to investing activities	6,574	-
Related to financing activities	-	(795)
	$ 83,865	$ (160,558)

(amounts in Canadian dollars)

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 2017	$ -

During the year ended December 31, 2016, the Corporation recorded an impairment of $2,382,863 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.

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
Decommissioning provisions	(49,878)	-	-	(49,878)
Balance at December 31, 2016	$ 7,459,830	$ 2,638,272	$ 41,965	$ 10,140,067
Dispositions	(659,175)	(164,794)	-	(823,969)
Decommissioning provisions	(8,318)	-	-	(8,318)
Balance at December 31, 2017	$ 6,792,337	$ 2,473,478	$ 41,965	$ 9,307,780
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)
Dispositions	156,970	39,243	-	196,213
Depletion and depreciation	(278,840)	(92,786)	-	(371,626)
Balance at December 31, 2017	$ (5,659,729)	$ (997,483)	$ (41,965)	$ (6,699,177)
Net book value				
At December 31, 2016	$ 1,921,971	$ 1,694,332	$ -	$ 3,616,303
At December 31, 2017	$ 1,132,608	$ 1,475,995	$ -	$ 2,608,603

The depletion and depreciation calculation for the years ended December 31, 2017 and 2016 included $Nil in future development costs.

(amounts in Canadian dollars)

In April 2017, the Corporation disposed of its asset at Claresholm, Alberta to an arms-length private company for cash proceeds, net of selling costs of $370,500. The transaction closed on April 7, 2017 with an effective date of March 1, 2017. Claresholm's net oil production averaged 9 boe/d. The Company incurred a net loss on disposition on $112,370.

Impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment. In addition, where a non-financial asset does not generate largely independent cash inflows, the Corporation is required to perform its test at a CGU, which is the smallest identifiable grouping of assets that generates largely independent cash inflows. As at December 31, 2017, there were no indicators of impairment for the Corporation's Chin Coulee, Alberta CGU and accordingly an impairment test was not required.

At December 31, 2016, the Corporation tested its two CGUs; Chin Coulee, Alberta and Claresholm, Alberta (disposed in 2017 – note 7) for impairment as indicators of impairment were identified being overall decline in forecasted 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 disposal ("FVLCTD"). The FVLCTD 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. Management determined that the FVLCTD approximated the carrying amounts of the CGUs and accordingly no impairment was recorded.

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$/bbl	**Corporation Average** Cdn$/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.

(amounts in Canadian dollars)

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 $1,106,615 at December 31, 2017 (December 31, 2016 - $1,574,208), which have been discounted using risk-free rates ranging between 0.72% to 2.25% at December 31, 2017 (December 31, 2016 – 1.73% to 2.26%). 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.

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

	December 31, 2017	**December 31, 2016**
Decommissioning provisions, beginning of period	$ 1,268,533	$ 1,327,657
Liabilities incurred	-	-
Changes in estimates	(36,220)	(49,878)
Liabilities settled	(11,318)	(27,420)
Property disposal (note 7)	(144,886)	-
Accretion expense (note 12)	17,590	18,174
Decommissioning provisions, end of period	$ 1,093,699	$ 1,268,533

Changes in estimates and assumptions for the years ended December 31, 2017 and 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. Changes in estimates on decommissioning liabilities relating to properties that were fully impaired have been recorded in the profit or loss.

During the year ended December 31, 2017, the Corporation incurred $11,318 in cash decommissioning costs at its Redwater, Alberta property (December 31, 2016 - $27,420).

(amounts in Canadian dollars)

9. Taxes

The total tax provision is calculated by applying the combined Canadian federal and provincial statutory tax rates to the Corporation's pre-tax loss with adjustments as set out in the following table. The statutory Canadian Federal tax rate is 15% and the Provincial tax rate is 12%.

	December 31, 2017	December 31, 2016
Loss before taxes	$ (605,894)	$ (3,034,453)
Statutory tax rate	27%	27%
Computed tax recovery	(163,591)	(819,302)
Increase (decrease) resulting from:		
Share-based compensation	1,276	11,835
Changes in tax rate and other	97	16,411
Change in unrecognized deferred tax asset	162,218	791,056
Deferred tax recovery	$ -	$ -

The components of the Corporation's deferred tax assets (liabilities) are as follows:

	December 31, 2017	December 31, 2016
Property and equipment and exploration	$ 3,415,293	$ 2,933,738
Decommissioning provisions	1,093,699	1,268,533
Unamortized share issuance costs	13,130	26,260
Non-capital losses	14,748,859	14,439,615
Eligible capital expenditure	26,900	28,925
Total unrecognized deductible temporary differences	$ 19,297,881	$ 18,697,071

Non-capital tax losses of approximately $14.7 million at December 31, 2017 (December 31, 2016 – $14.4 million) will expire in future years ranging from 2023 - 2037. In addition, the Corporation has approximately $6.0 million in resource tax pools and undepreciated capital costs and $13,000 in undeducted share issuance costs at December 31, 2017 deductible against future taxable income for which no benefit has been recognized in the financial statements

(amounts in Canadian dollars)

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, December 31, 2017	121,234,854	$ 15,922,585

11. Share-based compensation

(a) Share option plan

Under the Corporation's share 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, share 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, share 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, share 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.

(amounts in Canadian dollars)

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

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
Outstanding, beginning of year	8,500,000	$0.06	8,500,000	$0.06
Granted	-	-	-	-
Outstanding at end of year	8,500,000	$0.06	8,500,000	$0.06
Exercisable at end of year	8,500,000	$0.06	6,833,333	$0.06

The following table summarizes the expiry terms of the Corporation's outstanding share options as at December 31, 2017:

Date of grant	**Outstanding Options**	**Weighted Average Remaining Contractual Life (years)**	**Number of Share Options Exercisable**
July 3, 2013	900,000	0.5	900,000
April 1, 2014	2,600,000	1.2	2,600,000
February 24, 2015	5,000,000	2.1	5,000,000
	8,500,000	1.7	8,500,000

(b) Share-based compensation expense

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

(amounts in Canadian dollars)

12. Finance income (loss) and expenses

	Year Ended December 31, 2017	Year Ended December 31, 2016
Finance income		
Interest income on cash and cash equivalents	$ 7,103	$ 5,985
Finance expenses		
Accretion of decommissioning provisions (note 8)	(17,590)	(18,174)
Change in estimate (note 8)	27,902	-
Net finance income (loss)	$ 17,415	$ (12,189)

13. Loss per share

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

	Year Ended December 31, 2017	Year Ended December 31, 2016
Weighted average number of 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 years ended December 31, 2017 and 2016 excludes the effect of all outstanding share options as they are anti-dilutive.

14. Key management compensation

Key management personnel include executive officers and directors. Executive officers receive salaries, consulting fees, and benefits by virtue of their employment and consulting agreements with the Corporation, and also participate in the Corporation's share option program.

The executive officers during 2017 and 2016 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 share option program.

During the year ended December 31, 2017, director fees of $14,500 (December 31, 2017 - $11,000) were incurred to non-executive directors of the Corporation. Of this amount, $Nil is included in accounts payable and accrued liabilities at December 31, 2017 (December 31, 2016 - $Nil).

(amounts in Canadian dollars)

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

	Year Ended December 31, 2017	Year Ended December 31, 2016
Salaries, benefits, consulting fees and director fees	$ 347,500	$ 359,000
Share-based compensation (note 11(b))	4,725	43,832
	$ 352,225	$ 402,832

15. Related party transactions

During the year ended December 31, 2017, professional fees of $21,783 (December 31, 2016 - $28,598) 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, $Nil is included in accounts payable and accrued liabilities as at December 31, 2017 (December 31, 2016 - $5,785).

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.

STANDARD EXPLORATION LTD.

Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2018 and 2017

(unaudited)

Standard Exploration Ltd.

Condensed Interim Statements of Financial Position

(amounts in Canadian dollars)

Assets	Notes	As at September 30, 2018 *(unaudited)*	As at December 31, 2017 *(audited)*
Current assets			
Cash and cash equivalents		$ 929,898	$ 919,199
Accounts receivable	4(c)	82,634	97,864
Deposits and prepaid expenses		113,513	123,448
Total current assets		1,126,045	1,140,511
Property and equipment	6	2,325,448	2,608,603
Total assets		$ 3,451,493	$ 3,749,114
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4(d)	$ 270,356	$ 243,654
Total current liabilities		270,356	243,654
Decommissioning provisions		1,096,040	1,093,699
Total liabilities		1,366,396	1,337,353
Shareholders' Equity			
Share capital	7	15,922,585	15,922,585
Contributed surplus		3,882,891	3,882,891
Deficit		(17,720,379)	(17,393,715)
Total shareholders' equity		2,085,097	2,411,761
Total liabilities and shareholders' equity		$ 3,451,493	$ 3,749,114

Contingency	4(d)
Subsequent events	13

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, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

	Notes	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Month Ended September 30, 2018	Nine Month Ended September 30, 2017
Petroleum and natural gas sales	9	$ 275,939	$ 190,003	$ 740,466	$ 656,552
Royalties		(71,482)	(22,310)	(139,994)	(81,183)
Net revenue		204,457	167,693	600,472	575,369
Expenses					
Production and operating		73,508	51,750	183,677	169,543
Transportation		10,755	11,700	34,681	34,945
Exploration and evaluation		28,089	10,986	41,980	26,488
Depletion and depreciation		99,968	90,223	283,155	291,593
General and administrative		123,307	176,076	375,658	466,920
Share-based compensation	8(b)	-	-	-	4,725
Total expenses		335,627	340,735	919,151	994,214
Loss before the following:		(131,170)	(173,042)	(318,679)	(418,845)
Interest income		1,973	1,914	6,523	4,146
Accretion on decommissioning provision		(4,836)	(3,500)	(14,508)	(10,800)
Loss on disposition		-	-	-	(100,659)
Loss before income taxes		(134,033)	(174,628)	(326,664)	(526,158)
Income tax		-	-	-	-
Net loss and comprehensive loss for the period		$ (134,033)	$ (174,628)	$ (326,664)	$ (526,158)
Loss per share					
Basic and diluted	10	$ (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	Contributed surplus	Deficit	Total shareholders' equity
Balance at January 1, 2017		**121,234,854**	**$ 15,922,585**	**$ 3,878,166**	**$(16,787,821)**	**$ 3,012,930**
Share-based compensation	8	-	-	4,725	-	4,725
Net loss and comprehensive 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**
Balance at December 31, 2017		**121,234,854**	**$ 15,922,585**	**$ 3,882,891**	**$(17,393,715)**	**$ 2,411,761**
Net loss and comprehensive loss for the period		-	-	-	(326,664)	(326,664)
Balance at September 30, 2018		**121,234,854**	**$ 15,922,585**	**$ 3,882,891**	**$(17,720,379)**	**$ 2,085,097**

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, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

	Notes	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating activities					
Net loss for the period		$ (134,033)	$ (174,628)	$ (326,664)	$ (526,158)
Adjustments for:					
Depletion and depreciation		99,968	90,223	283,155	291,593
Share-based compensation		-	-	-	4,725
Interest income		(1,973)	(1,914)	(6,523)	(4,146)
Accretion on decommissioning provision		4,836	3,500	14,508	10,800
Loss on disposition		-	-	-	100,659
Cash decommissioning expenditures		(1,406)	(4,098)	(12,167)	(5,129)
Changes in non-cash working capital	5	30,907	(506)	38,643	78,818
Net cash used in operating activities		(1,701)	(87,423)	(9,048)	(48,838)
Investing activities					
Proceeds from disposition of property and equipment, net of selling costs		-	-	-	390,000
Changes in non-cash working capital	5	4,537	-	13,224	-
Net cash from investing activities		4,537	-	13,224	390,000
Financing activities					
Interest received		1,973	1,914	6,523	4,146
Net cash from financing activities		1,973	1,914	6,523	4,146
Change in cash and cash equivalents		4,809	(85,509)	10,699	345,308
Cash and cash equivalents, beginning of period		925,089	1,034,454	919,199	603,637
Cash and cash equivalents, end of period		$ 929,898	$ 948,945	$ 929,898	$ 948,945

See accompanying notes to the unaudited condensed interim financial statements.

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 listed on the TSX Venture Exchange under the symbol SDE.V, incorporated and domiciled in Canada. The registered office is located at 1404 Memorial Drive NW, Calgary, Alberta, Canada, T2N 3E5.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed interim financial statements (“interim financial statements”) have been prepared following the same accounting policies and methods of computation as the audited annual financial statements for the year ended December 31, 2017 and 2016, 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 audited 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 audited annual financial statements. The condensed interim financial statements should be read in conjunction with the Corporation’s audited annual audited financial statements for the year ended December 31, 2017.

These interim financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

These interim financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2018.

(b) Use of judgements and estimates

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were the same as those described in the audited annual financial statements as at and for the year ended December 31, 2017.

3. Significant accounting policies

These interim financial statements have been prepared following the same accounting policies and methods of computation as the Corporation’s audited annual financial statements for the year ended December 31, 2017, except as noted below:

IFRS 9 — Financial Instruments replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

(amounts in Canadian dollars)

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted.

As of January 1, 2018, the Corporation adopted all of the requirements of IFRS 9. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. On January 1, 2018, the Corporation determined the appropriate classification category and measurement of its financial statements and liabilities under IFRS 9 and compared each of their original classification and measurement under IAS 39 as shown below:

Financial instrument	Measurement category (IAS 39)	Measurement category (IFRS 9)
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Corporation does not have any asset contracts and debt investments measured at FVOCI.

IFRS 9 has introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have any impact on the financial statements of the Corporation, however there are additional required disclosures which have been included in note 4.

IFRS 9 also contains a new hedge accounting model, however the Corporation does not apply hedge accounting to any of its risk management contracts. The adoption of IFRS 9 has been applied retrospectively and did not result in a change in the carrying value of any of the Corporation's financial instruments on the transition date.

IFRS 15 — Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation adopted the standard on January 1, 2018 using the modified retrospective approach. There were no changes to reported net earnings or retained earnings as a result of adopting IFRS 15. IFRS 15 requires additional disclosures to disclose disaggregated revenue by product type, refer to note 9.

In addition, as a result of the adoption of IFRS 15, the Corporation has revised the description of its accounting policy for revenue recognition as follows:

Revenue recognition

Revenue from the sale of natural gas, natural gas liquids, condensate and crude oil (collectively "products") is recognized based on the consideration specified in contracts with customers and when the control of the products are transferred to the customers and collection is reasonably assured. The revenue is based on prices specified in the contract and the revenue is recognized when it transfers control of the product to a customer. The sales or transaction price of the Corporation's products to customers are made pursuant to contracts based on prevailing commodity pricing and adjusted by quality and equalization adjustments. The revenue is collected on the 25th day of the month following production.

<u>Future accounting pronouncement:</u>

IFRS 16 — Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor") and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Corporation is in the early stages of evaluating the impact of IFRS 16 on its financial statements and the extent of the impact has not yet been determined.

4. Financial instruments and risk management

(a) Risk management overview

The Corporation is exposed to a variety of financial risks including credit risk, liquidity risk and market risk from its use of financial instruments. 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 interim financial statements. The Corporation employs risk management strategies and polices 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 cash and cash equivalents, 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 marketers 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.

The Corporation sells substantially all of its production to two marketers.

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. The Corporation has not experienced any collection issues with its marketers.

(amounts in Canadian dollars)

As at September 30, 2018, the Corporation's accounts receivable were comprised of the following:

	September 30, 2018
Petroleum and natural gas sales	$ 69,769
Joint interest partners	370
GST	11,816
Other	679
	$ 82,634
0 to 30 days	$ 71,062
31 to 60 days	-
61 to 90 days	-
Greater than 90 days	11,572
	$ 82,634

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 months ended September 30, 2018. The amount due from marketers at September 30, 2018 totaling $69,769 was subsequently collected in full.

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 payable are normally due between 30 and 60 days from the date of invoice.

The Corporation's accounts payable and accrued liabilities as at September 30, 2018 are comprised of the following:

	September 30, 2018
General and administrative	$ 19,034
Operating	221,357
Other	29,965
	$ 270,356
0 to 30 days	$ 102,792
31 to 60 days	14,087
61 to 90 days	2,095
Greater than 90 days	151,382
	$ 270,356

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

At September 30, 2018, the estimated liability relating to the fair value of the Corporation's 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 included in accounts payable and accrued liabilities is $29,965.

On March 4, 2016, the Corporation served the shareholder with a Formal Offer to Settle for 937,032 common shares of the Corporation 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 crude oil are determined in global markets and generally are denominated in United States dollars ("US$"). Natural gas prices obtained by the Corporation will be influenced by both United States and Canadian demand and the corresponding North American supply, and by imports of liquefied natural gas. An increase (decrease) in the value of the Canadian dollar relative to the US$ will decrease (increase) the revenues received from the sale of crude oil and natural gas commodities. The impact of such exchange rate fluctuations cannot be accurately quantified.

As at and for the nine months ended September 30, 2018, the Corporation had no forward foreign exchange contracts in place or monetary assets and liabilities denominated in foreign currency.

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 does not have any debt hence there is no exposure to interest rate risk as at September 30, 2018.

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.

A 10% change in the commodity prices, assuming that production remained constant at the 2018 level, the Corporation's net loss would vary by $74,047.

(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.

(amounts in Canadian dollars)

The Corporation's defined capital as at September 30, 2018 is as follows:

	September 30, 2018
Current assets	$ 1,126,045
Current liabilities	(270,356)
Working capital	**$ 855,689**

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 months ended September 30, 2018.

5. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Sources (uses) of cash:				
Accounts receivable	$ 26,517	$ 7,024	$ 15,230	$ 59,088
Deposits and prepaid expenses	(6,147)	(3,398)	9,935	10,493
Accounts payable and accrued liabilities	15,074	(4,132)	26,702	9,237
	$ 35,444	$ (506)	$ 51,867	$ 78,818
Related to operating activities	$ 30,907	$ (506)	$ 38,643	$ 78,818
Related to investing activities	4,537	-	13,224	-
	$ 35,444	$ (506)	$ 51,867	$ 78,818

6. Property and equipment

There were no indicators of impairment identified at September 30, 2018.

7. 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.

(amounts in Canadian dollars)

(b) Issued

Common shares	Number of shares	Stated value
Balance, December 31, 2017	121,234,854	$ 15,922,585
Balance, September 30, 2018	121,234,854	$ 15,922,585

8. Share-based compensation

(a) Share option plan

Under the Corporation's share 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, share 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. As at September 30, 2018, these share options expired unexercised.

In April 2014, share 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, share 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 share option plan during the periods:

	Nine Months Ended September 30, 2018	
	Number	Weighted Average Exercise Price
Outstanding, beginning of period	8,500,000	$0.06
Expired	(900,000)	$0.10
Outstanding at end of period	7,600,000	$0.05
Exercisable at end of period	7,600,000	$0.05

(amounts in Canadian dollars)

The following table summarizes the expiry terms of the Corporation's outstanding share options as at September 30, 2018:

Date of grant	Outstanding Options	Weighted Average Remaining Contractual Life (years)	Number of Share Options Exercisable
April 1, 2014	2,600,000	0.5	2,600,000
February 24, 2015	5,000,000	1.4	5,000,000
	7,600,000		7,600,000

(b) Share-based compensation expense

The Corporation recorded share-based compensation expense of $Nil during the three and nine months ended September 30, 2018 ($Nil and $4,725 during the three and nine months ended September 30, 3017 respectively) with a corresponding increase to contributed surplus.

9. Revenue

The amount of each significant category of revenue recognized for the three and nine months ended September 30, 2018 and 2017 is as follows:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Crude oil	$ 275,939	$ 190,003	$ 740,466	$ 651,145
Natural gas, natural gas liquids and condensate	-	-	-	5,407
	$ 275,939	$ 190,003	$ 740,466	$ 656,552

10. Loss per share

The following table summarizes the weighted-average number of common shares outstanding used in calculating net loss per share:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Basic	121,234,854	121,234,854	121,234,854	121,234,854
Diluted	121,234,854	121,234,854	121,234,854	121,234,854

The calculation of diluted loss per share for the three and nine months ended September 30, 2018 and 2017 excludes the effect of all outstanding share options as they are anti-dilutive.

(amounts in Canadian dollars)

11. Key management compensation

Key management personnel include executive officers and directors. Executive officers receive salaries, consulting fees, and benefits by virtue of their employment and consulting agreements with the Corporation, and also participate in the Corporation's share option program.

The executive officers during 2018 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 share option program.

During the three and nine months ended September 30, 2018, director fees of $7,000 and $11,500 respectively (three and nine months ended September 30, 2017 - $3,000 and $11,500 respectively) were incurred to non-executive directors of the Corporation. Of this amount, $11,500 is included in accounts payable and accrued liabilities at September 30, 2018 (September 30, 2017 - $11,500).

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Salaries, benefits, consulting fees and director fees	$ 79,000	$ 90,000	$ 227,500	$ 272,500
Share-based compensation (note 8(b))	-	-	-	4,725
	$ 79,000	$ 90,000	$ 227,500	$ 277,225

12. Related party transactions

During the three and nine months ended September 30, 2018, professional fees of $9,802 and $14,568 respectively (three and nine months ended September 30, 2017 - $6,734 and $14,045 respectively) 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, $3,353 is included in accounts payable and accrued liabilities as at September 30, 2018 (September 30, 2017 - $4,512).

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.

13. Subsequent events

On November 13, 2018, the Corporation entered into a definitive reorganization and investment agreement with Ian Atkinson, Calvin Yau, Chris Birchard and Gary McMurren (the "Initial Investor Group") which provides for: (i) a non-brokered private placement of up to an aggregate of $20.0 million, provided that the Corporation shall be entitled to increase the size of the private placement to $25.0 million as a result of excess demand (the "Private Placement"); (ii) the appointment of a new management team (the "New Management Team") and new Board of Directors (the "New Board") in connection with the completion of the Private Placement; and (iii) subject to regulatory approval, a rights offering (the "Rights Offering") to holders of common shares ("Common Shares") of Corporation (collectively, the "Recapitalization"). Completion of the Recapitalization is subject to customary closing conditions, including the approval of the TSX Venture Exchange (the "TSXV").

The Corporation also entered into a definitive agreement (the "Acquisition Agreement"), pursuant to which the Corporation will acquire all of the limited partnership units of Gulf Pine Energy Partners, LP ("Gulf Pine") for a total transaction value of USD$24.4 million (comprised of cash consideration of USD$3,425,000), including net debt (the "Transaction"). In connection with the Transaction, the Corporation has arranged for a USD$13.5 million credit facility held with a reputable US independent commercial bank. The Transaction is subject to customary closing conditions, including the approval of the TSXV.

SCHEDULE "B"

Management's Discussion and Analysis of Standard

STANDARD EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017 & 2016

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 years ended December 31, 2017 and 2016. The accompanying audited financial statements of Standard, which have been prepared by management and approved by the Corporation's Board of Directors, on April 26, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The commentary is as of April 26, 2018. 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".

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, "net 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 and central 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 and central Alberta, which it is using to access opportunities, by both exploration drilling and by producing property acquisition.

CONTINGENCY

At December 31, 2017 and 2016, the estimated 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 is included in accounts payable and accrued liabilities is $29,965.

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.

SELECTED ANNUAL INFORMATION ($)

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Petroleum and natural gas sales	868,634	909,928	1,116,593
Royalties	(103,634)	(96,575)	(151,841)
Loss and comprehensive loss	(605,894)	(3,034,453)	(2,134,783)
Per share (basic and diluted)	(0.01)	(0.03)	(0.02)
Total assets	3,749,114	4,474,943	7,656,485
Decommissioning provisions	1,093,699	1,268,533	1,327,657

QUARTERLY DATA ($)

Quarter ended	Petroleum and natural gas sales	Royalties	Net Loss	Basic and Fully Diluted	Total Assets
December 31, 2017	212,082	(22,451)	(79,736)	(0.00)	3,749,114
September 30, 2017	190,003	(22,310)	(174,628)	(0.00)	3,831,321
June 30, 2017	208,146	(26,844)	(264,623)	(0.00)	4,010,679
March 31,2017	258,404	(32,030)	(86,907)	(0.00)	4,411,450
December 31,2016	267,073	(30,791)	(2,434,608)	(0.02)	4,474,943
September 30, 2016	239,185	(29,188)	(166,167)	(0.00)	7,080,408
June 30, 2016	245,535	(21,344)	(200,880)	(0.00)	7,247,684
March 31, 2016	158,134	(15,251)	(232,798)	(0.00)	7,435,485
December 31, 2015	229,774	(26,716)	(1,745,892)	(0.01)	7,656,485

SUMMARY OF RESULTS ($, except Boe/d amounts)

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Petroleum and gas sales	212,082	267,073	868,634	909,928
Royalties	(22,451)	(30,791)	(103,634)	(96,575)
Production and operating	(53,372)	(61,577)	(222,915)	(144,994)
Transportation	(9,911)	(16,336)	(44,856)	(66,352)
Exploration and evaluation expenses	(21,217)	(35,664)	(47,705)	(79,784)
General and administrative	(136,692)	(172,739)	(584,112)	(626,180)
Net finance income (loss)	(22,451)	(30,791)	(103,634)	(96,575)
Net loss and comprehensive loss	(79,736)	(2,434,608)	(605,894)	(3,034,453)
Loss per share – basic and diluted	(0.00)	(0.02)	(0.01)	(0.03)
Petroleum and natural gas sales (Boe/d) (1)	43	62	54	65
Net cash used in operating activities	(39,277)	(101,618)	(88,115)	(291,140)
Total assets	3,749,114	4,474,943	3,749,114	4,474,943
Working capital (2)	896,857	665,160	896,857	665,160

(1) *Average sales for the period*
(2) *Working capital is calculated as current assets less current liabilities*

PETROLEUM AND NATURAL GAS SALES VOLUMES

Sales volumes mcf to boe (6:1 boe conversion)	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Natural Gas (mcf/d)	4	-	16	6
Oil and NGL's (bbls/d)	43	62	51	64
Total boe/d	**43**	**62**	**54**	**65**

Petroleum production was generated at its operated properties at Chin Coulee and Claresholm. Natural gas and natural gas liquids sales were generated at its non-operated property at Crossfield, AB.

Oil sales volumes at Claresholm were recorded for the production months of January 2017 and February 2017 only, as the Corporation sold the property with an effective date of March 1, 2017.

Overall petroleum and natural gas sales volumes during the year ended December 31, 2017 decreased by 17% as compared to the comparative period last year, partly due to the disposition of Claresholm effective March 1, 2017 as well as lower sales volumes at Chin Coulee due to natural declines.

Overall petroleum and natural gas sales volumes during the three month period ended December 31, 2017 decreased by 31% as compared to the comparative period last year, mostly due to the elimination of sales volumes at Claresholm effective March 1, 2017, as well as lower sales volumes at Chin Coulee due to natural declines.

GROSS REVENUE AND PRICING ($)

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Petroleum	211,128	265,853	62,273	905,130
Natural gas	954	1,220	1,825	4,798
Natural gas liquids	-	-	4,536	-
	212,082	**267,073**	**868,634**	**909,928**
Petroleum ($/bbl)	53.96	46.90	49.65	38.67

Revenue received for the Corporation's petroleum during the year ended December 31, 2017 totaled $862,273, representing a 5% decrease from $905,130 received during the comparative period last year. Decreased revenue in the current period was partly due to the elimination of oil sales volumes at Claresholm effective March 1, 2017.

Prices received for the Corporation's petroleum during the year ended December 31, 2017 averaged $49.65/bbl, representing a 28% increase from an average of $38.67/bbl received during the comparative period last year.

Revenue received for the Corporation's petroleum during the three month period ended December 31, 2017 totaled $211,128, representing a 21% decrease from $265,853 received during the comparative period last year. Decreased revenue in the current period was mostly due to the sale of the Claresholm property effective March 1, 2017, as well as lower sales at Chin Coulee due to natural declines.

Prices received for the Corporation's petroleum during the three month period ended December 31, 2017 averaged $53.96/bbl, representing a 15% increase from an average of $46.90/bbl received during the comparative period last year.

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

ROYALTIES ($, except percent of total revenue)

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Crown	11,301	9,335	50,791	23,547
Gross overriding and freehold	11,150	21,456	52,843	73,028
Total royalties	**22,451**	**30,791**	**103,634**	**96,575**
$/boe	5.66	5.40	5.27	4.06
Percent of total revenue	11%	12%	12%	11%

Royalties for the year ended December 31, 2017 averaged $5.27/boe or 12% of petroleum and natural gas and natural gas liquids revenues as compared to royalties during the comparative period last year of $4.06/boe or 11% of petroleum and natural gas revenues.

Royalties for the three month period ended December 31, 2017 averaged $5.66/boe or 11% of petroleum and natural gas and natural gas liquids revenues as compared to royalties during the comparative period last year of $5.40/boe or 12% of petroleum and natural gas revenues.

Royalties for the year ended December 31, 2017 on a per boe basis during the current period were slightly higher than during the comparative period last year due to higher average Crude Oil Royalty Calculation Par Prices (reference prices) as pre-determined by Alberta Energy.

OPERATING AND TRANSPORTATION EXPENSES ($)

	Three Months Ended Dec. 31 2017	**Three Months Ended Dec. 31 2016**	**Year Ended Dec. 31 2017**	**Year Ended Dec. 31 2016**
Operating expenses	53,372	(61,577)	222,915	144,994
Operating - transportation	9,911	16,336	44,856	66,352
Total operating expenses	**63,283**	**(45,241)**	**267,771**	**211,346**
$/boe	15.94	(7.93)	13.61	8.89
Percentage of gross revenue	33%	(17%)	31%	23%

Operating expenses for the year ended December 31, 2017 were $13.61/boe compared to $8.89/boe from the comparative period last year. Operating expenses as a percentage of gross revenue for the year ended December 31, 2017 was 31% as compared to 23% from the comparative period last year.

Operating expenses for the three month period ended December 31, 2017 were $15.94/boe compared to ($7.93)/boe from the comparative period last year. Operating expenses as a percentage of gross revenue for the three month period ended December 31, 2017 was 33% as compared to (17%) from the comparative period last year. The overall decrease in operating costs during 2016 is largely due to an operating expense credit totaling approximately $144,000 with respect to an equalization adjustment at Redwater, AB.

Excluding the one-time equalization adjustment during 2016 above, the net decrease in operating costs during the current period is mostly due to lower fuel and electricity costs as well as reduced expenses for lubricants and chemicals, combined with the elimination of operating costs associated with the Claresholm property, which was sold effective March 1, 2017.

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 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Gross revenue	212,082	267,073	868,634	909,928
Royalties	(22,451)	(30,791)	(103,634)	(96,575)
Operating expenses (2)	(63,283)	45,241	(267,771)	(211,346)
Netback	**126,348**	**281,523**	**497,229**	**602,007**
$/boe	**31.83**	**49.36**	**25.28**	**25.33**

(1) See section titled “NON-IFRS MEASUREMENTS”
(2) Including transportation expenses

Field netbacks for the year ended December 31, 2017 were $497,229 or $25.28/boe, representing a 17% decrease per boe compared to field netbacks from the comparative period last year of $602,007 or $25.33/boe.

Overall field netbacks realized by the Corporation during the year ended December 31, 2017 were lower than the comparative period last year largely due to an operating expense credit totaling approximately $144,000 with respect to an equalization adjustment at Redwater, AB during 2016.

Field netbacks for the three month period ended December 31, 2017 were $126,348 or $31.83/boe, representing a 55% decrease per boe compared to field netbacks from the comparative period last year of $281,523 or $49.36/boe.

Overall field netbacks realized by the Corporation during the three month period ended December 31, 2017 were lower than the comparative period last year largely due to an operating expense credit totaling approximately $144,000 with respect to an equalization adjustment at Redwater, AB during 2016.

GENERAL AND ADMINISTRATIVE (“G&A”) EXPENSES ($)

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
G&A expenses	136,692	172,739	584,112	626,180
$/boe	34.43	30.29	29.69	26.35

G&A expenses for the year ended December 31, 2017 totalled $603,612 or $30.68/boe, representing a 4% decrease from $626,180 or $26.35/boe from the comparative period last year. G&A on a per boe basis increased in 2017 due to the disposition of Claresholm effective March 1, 2017.

G&A expenses for the three month period ended December 31, 2017 totalled $136,692 or $34.43/boe, representing a 21% decrease from $172,739 or $30.29/boe from the comparative period last year.

Overall G&A expenses decreased during the year ended December 31, 2017 as compared to the previous period last year, due, in part, to reduced salaries and consulting fees charged, lower audit and legal fees, and lower office supplies and services.

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

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Salaries and consulting fees	74,924	96,533	367,538	393,361
Audit and legal	28,928	31,445	45,006	63,166
Rent and parking	4,500	6,000	22,500	24,000
Computer services & software	11,479	11,504	47,580	43,835
Directors fees	3,000	3,000	14,500	11,000
Transfer Agent & filing fees	5,053	808	21,105	15,701
Insurance	3,098	3,098	12,291	11,175
Travel, meals and entertainment	324	155	720	785
Office supplies and services	4,713	11,705	28,228	46,246
Other	673	8,491	24,644	16,911
	136,692	**172,739**	**584,112**	**626,180**

EXPLORATION AND EVALUATION EXPENSES ($)

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
	21,217	35,664	47,705	79,784

Exploration and evaluation expenses for the year ended December 31, 2017 totaled $47,705 (2016 – $79,784) which comprised of lease rentals and other similar expenses.

FINANCE INCOME AND EXPENSES ($)

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Interest income on cash and cash equivalents	2,957	5,985	7,103	5,985
Accretion	(6,790)	(18,174)	(17,590)	(18,174)
Change in estimate	27,902	-	27,902	-
	24,069	**(12,189)**	**17,415**	**(12,189)**

During the year ended December 31, 2017, interest income of 7,103 (December 31, 2016 - $5,985) was earned on funds held in a T-bill savings account and accretion of decommissioning provision expense of $17,590 (December 31, 2016 - $18,174) was recorded. The change in estimate is relating to decommissioning provision on properties that were fully impaired previously.

DEPLETION, DEPRECIATION, AND AMORTIZATION ("DD&A") ($)

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Depletion	80,033	115,158	371,626	491,612
$/boe	**20.16**	**20.19**	**18.89**	**20.69**

Using the unit-of-production method based on total estimated proved plus probable reserves, depletion for the year ended December 31, 2017 was $18.89/boe, representing a 24% decrease over the comparative period last year. Lower depletion during the current period is mostly due to the sale of the Claresholm, AB property effective March 1, 2017.

IMPAIRMENTS

Impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment. In addition, where a non-financial asset does not generate largely independent cash inflows, the Corporation is required to perform its test at a CGU, which is the smallest identifiable grouping of assets that generates largely independent cash inflows. As at December 31, 2017, there were no indicators of impairment for the Corporation's Chin Coulee, Alberta CGU and accordingly an impairment test was not required.

At December 31, 2016, the Corporation tested its two CGUs; Chin Coulee, Alberta and Claresholm, Alberta (disposed in 2017) for impairment as indicators of impairment were identified being overall decline in forecasted 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 disposal ("FVLCTD"). The FVLCTD 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. Management determined that the FVLCTD approximated the carrying amounts of the CGUs and accordingly no impairment was recorded.

EXPLORATION AND EVALUATION ASSETS

	As at December 31, 2017	As at December 31, 2016
Reagan, Alberta	$ -	$ -
	$ -	**$ -**

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 were no substantive expenditures or further exploration budgeted or planned for this well.

PROPERTY AND EQUIPMENT

During the years ended December 31, 2017 and 2016, the Corporation did not in incur any capital expenditures on its developed and producing properties.

In April 2017, the Corporation disposed of its asset at Claresholm, Alberta to an arms-length private company for cash proceeds, net of selling costs, of $370,500. The transaction closed on April 7, 2017 with an effective date of March 1, 2017. Claresholm's net oil production averaged 9 boe/d. The Company incurred a net loss on disposition on $112,370. The transaction closed on April 7, 2017 with an effective date of March 1, 2017. Claresholm's net oil production averaged 9 boe/d.

DECOMMISSIONING EXPENSES

During the year ended December 31, 2017, the Corporation incurred $11,318 (December 31, 2016 - $27,420) 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, 2016	121,234,854	$ 15,922,585
Balance, December 31, 2017	121,234,854	$ 15,922,585

SHARE-BASED COMPENSATION

Under the Corporation's share 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, share 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, share 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, share 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 Corporation recorded share-based compensation expense of $4,725 during the year ended December 31, 2017 (December 31, 2016 - $$43,832) with a corresponding increase to contributed surplus.

NET LOSS AND COMPREHENSIVE LOSS & CASH FLOWS FROM OPERATING ACTIVITIES ($)

	Three Months Ended Dec. 31 2017	Three Months Ended Dec. 31 2016	Year Ended Dec. 31 2017	Year Ended Dec. 31 2016
Net loss and comprehensive loss	(79,736)	(2,434,608)	(605,894)	(3,034,453)
Per share – basic and diluted	(0.00)	(0.02)	(0.01)	(0.03)
Net cash used in operating activities	(39,277)	(101,618)	(88,115)	(291,140)

During the year ended December 31, 2017, the Corporation recorded a net loss and comprehensive loss of $605,894 (December 31, 2016 - $3,034,453). On a per share basis, this loss equates to $0.01 per share (December 31, 2016 - $0.03 per share).

Net loss and comprehensive loss during the year ended December 31, 2016 included a $2,382,863 impairment charge at Reagan 100/04-01-2-19 W4M HZ.

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, 2017 and 2016):

	April 26, 2018	December 31, 2017	December 31, 2016
Common shares	121,234,854	121,234,854	121,234,854
Stock options	8,500,000	8,500,000	8,500,000

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Corporation had a working capital surplus of $896,857 (December 31, 2016 - $665,160), which included cash of $919,199 (December 31, 2016 - $603,637).

During the years ended December 31, 2017 and 2016, the Corporation financed its capital expenditure program from a combination of cash flow.

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, 2017, professional fees of $21,783 (December 31, 2016 - $28,598) 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, $Nil is included in accounts payable and accrued liabilities as at December 31, 2017 (December 31, 2016 - $5,785).

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.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

There are no contractual obligations or capital commitments.

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 polices 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 cash and cash equivalents, 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.

The Corporation sells substantially all of its production to two marketers.

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.

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

	December 31, 2017	**December 31, 2016**
Petroleum and natural gas sales	$ 69,910	$ 110,412
Joint interest partners	1,367	920
GST	12,743	12,743
Other	13,844	7,830
	$ 97,864	$ 131,905
0 to 30 days	$ 71,304	$ 90,616
31 to 60 days	13,287	21,003
61 to 90 days	155	-
Greater than 90 days	13,118	20,286
	$ 97,864	$ 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 years ended December 31, 2017 or 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.

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

	December 31, 2017	**December 31, 2016**
Capital expenditures	$ 6,574	$ 3,736
General and administrative	46,268	41,502
Operating	160,847	114,292
Other	29,965	33,950
	$ 243,654	$ 193,480
0 to 30 days	$ 28,821	$ 45,245
31 to 60 days	30,762	19,352
61 to 90 days	15,250	9,279
Greater than 90 days	168,821	119,604
	$ 243,654	$ 193,480

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

At December 31, 2017 and 2016, the estimated 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 included in accounts payable and accrued liabilities is $29,965.

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 crude oil are determined in global markets and generally are denominated in United States dollars ("US$"). Natural gas prices obtained by the Corporation will be influenced by both United States and Canadian demand and the corresponding North American supply, and by imports of liquefied natural gas. An increase (decrease) in the value of the Canadian dollar relative to the US$ will decrease (increase) the revenues received from the sale of crude oil and natural gas commodities. The impact of such exchange rate fluctuations cannot be accurately quantified.

As at and for the years ended December 31, 2017 and 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 does not have any debt hence there is no exposure to interest rate risk as at December 31, 2017.

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.

A 10% change in the commodity prices, assuming that production remained constant at 2017 level, the Corporation's net loss would vary by $86,863.

(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, 2017 and 2016 is as follows:

	December 31, 2017	**December 31, 2016**
Current assets	$ 1,140,511	$ 858,640
Current liabilities	(243,654)	(193,480)
Working capital	**$ 896,857**	**$ 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 years ended December 31, 2017 and 2016.

NEW ACCOUNTING POLICIES

All new or revised accounting standards that were relevant to the Corporation were applied in preparing the Corporation's financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following are relevant to the Corporation:

- *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 currently assessing 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 currently assessing 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

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management's most critical estimates, judgments and assumptions in preparation of the financial statements:

Identification of cash-generating units (CGUs)

The Corporation's petroleum and natural gas assets are grouped into CGUs based on the ability of these assets to generate separately identifiable independent cash inflows. The classification of assets into CGUs requires significant judgment and interpretation. Management considers factors such as integration among assets, shared infrastructure, common sales points, geography and how management makes decisions about the Corporation's operations.

Reserves

The Corporation's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 - Standards of Disclosure for Petroleum and Gas Activities*. The reserve assessment was completed by an external independent reserve engineering firm for the years ended December 31, 2017 and 2016.

Oil and natural gas reserves are used in the calculation of depletion, and impairment and/or impairment reversal determinations. Reserve estimates are based on engineering data, estimated future prices and costs, expected future rates of production and the timing of future capital expenditures; all of which are subject to many uncertainties and estimations. The Corporation expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, oil and gas production levels and reservoir performance and may also be affected by changes in commodity prices.

Recoverable value of exploration and evaluation assets, and property and equipment

Exploration and evaluation assets are inherently judgmental to value. The amounts for exploration and evaluation assets represent active exploration projects and investments. These amounts are recorded to profit or loss as exploration costs unless the determination process is not completed and there are no indications of impairment at the reporting date or commercial reserves are established. The outcome of ongoing exploration and evaluation activities and whether the carrying value of exploration and evaluation assets will ultimately be recovered is inherently uncertain and requires significant judgment and estimates.

Management performs impairment tests on the Corporation's property and equipment when indicators of impairment are present. The assessment of impairment indicators is subjective and considers the various internal and external factors such as the financial performance of individual CGUs, market capitalization and industry trends. In addition, the impairment assessment is impacted by how management determines the composition of CGUs. Management has grouped assets into CGUs based on several factors with a primary focus on assets whose cash inflows are independent. If impairment indicators are present an impairment test is required to be performed and the CGU is written down to its recoverable amount. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimate of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

Decommissioning provisions

The calculation of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

Valuation of accounts receivable

The valuation of accounts receivable is based on management's best estimate of collectability and provisions for doubtful accounts.

Valuation of contingent liability

The valuation of the contingent liability relating to the dissenting shareholder is based on management's best estimate of the ultimate settlement.

Taxes

The amounts recorded for deferred taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently enacted or substantively enacted. They are also based on estimates of the probability of the Corporation utilizing certain tax pools and assets which, in turn, is dependent on estimates of proved and probable reserves, production rates, future petroleum and natural gas prices and changes in legislation, tax rates and interpretations by taxation authorities. The availability of tax pools is subject to audit and interpretation by taxation authorities.

Share options and warrants

The amounts recorded relating to the fair value of share options and warrants issued are based on estimates of the future volatility of the Corporation's share price, market price of the Corporation's shares at the grant date, expected lives of the options and warrants, risk-free interest rate, forfeiture rate, expected dividends and other relevant assumptions

STANDARD EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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") unaudited condensed interim financial statements as at and for the three and nine months ended September 30, 2018, and the audited financial statements as at and for the year ended December 31, 2017 and the notes thereto. The accompanying unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". All dollar amounts are referenced in Canadian dollars, except when noted otherwise.

The MD&A is dated November 27, 2018. 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 and gas exploration and development company whose common shares are traded on TSX Venture Exchange under the symbol "SDE".

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 IFRS except for the term "field netbacks". The term "field netbacks" should not be considered an alternative to, or more meaningful than, "net 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 is about to enter into a new phase of its history. As it was announced on November 13, 2018, Standard's current management team and Board of Directors will be replaced with a new management team and Board. In conjunction with that change, significant new equity will be added to the Corporation and a redirection of operational focus away from Alberta to the southern United States. This new operational focus will include the acquisition of oil and gas properties providing a stable production base and opportunities for increased production and reserves, as well as exposure to higher commodity pricing than is currently being received in Alberta. Production from Standard's current producing property in Alberta will no longer be material to the Corporation's results. The new management team has substantial experience in the new southern United States properties and this expertise is expected to add value to the Corporation going forward.

CONTINGENCY

At September 30, 2018, the estimated liability relating to the fair value of the Corporation's 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 is included in accounts payable and accrued liabilities is $29,965.

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.

THIRD QUARTER 2018 HIGHLIGHTS

- Achieved quarterly average production of 49 boe/d (100% oil) representing an increase of 2% over second quarter of 2018 (48 boe/d) and 11% over the comparable period in 2017 (44 boe/d).

- Reduced overall funds used in operations to $1,701 as compared to $30,197 in second quarter of 2018 and $87,423 in the comparative third quarter in 2017.

- Generated field operating netbacks of $26.58/boe on an unhedged basis as compared to $36.84/boe in second quarter of 2018 (representing a decrease of 28%) and $25.74 in the comparative third quarter in 2017 (representing an increase of 3%).

- Recorded a third quarter loss of $134,033 as compared to a loss of $82,519 in second quarter of 2018 and $174,628 in the comparative third quarter in 2017.

- Continued diligent cost control initiative which enabled the Corporation to lower its general and administrative costs totaling $123,307 or $27.27/boe in the quarter as compared $139,519 in the second quarter of 2018 or $31.85/boe and $176,076 or $43.48/boe during the comparative third quarter in 2017.

QUARTERLY DATA ($)

Quarter ended	Petroleum and natural gas sales	Royalties	Net Loss	Basic and Fully Diluted	Total Assets
September 30, 2018	275,939	(71,482)	(134,033)	(0.00)	3,451,493
June 30, 2018	276,822	(44,366)	(82,519)	(0.00)	3,567,022
March 31, 2018	187,705	(24,146)	(110,112)	(0.00)	3,642,187
December 31, 2017	212,082	(22,451)	(79,736)	(0.00)	3,749,114
September 30, 2017	190,003	(22,310)	(174,628)	(0.00)	3,831,321
June 30, 2017	208,146	(26,844)	(264,623)	(0.00)	4,010,679
March 31,2017	258,404	(32,030)	(86,907)	(0.00)	4,411,450
December 31, 2016	267,073	(30,791)	(2,434,608)	(0.02)	4,474,943
September 30, 2016	239,185	(29,188)	(166,167)	(0.00)	7,080,408

SUMMARY OF RESULTS ($, except Boe/d amounts)

	Three Months Ended Sep. 30 2018	Three Months Ended Sep. 30 2017	Nine Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2017
Petroleum and gas sales revenue	275,939	190,003	740,466	656,552
Royalties	(71,482)	(22,310)	(139,994)	(81,183)
Net revenue	204,457	167,693	600,472	575,369
Expenses				
Production and operating	73,508	51,750	183,677	169,543
Transportation	10,755	11,700	34,681	34,945
Exploration and evaluation expenses	28,089	10,986	41,980	26,488
Depletion and depreciation	99,968	90,223	283,155	291,593
General and administrative	123,307	176,076	375,658	466,920
Net finance expense	2,863	1,586	7,985	6,654
Net loss and comprehensive loss	134,033	174,628	326,664	526,158
Loss per share – basic and diluted	$0.00	$0.00	$0.00	$0.00
Petroleum and natural gas sales (Boe/d) (1)	49	44	47	58
Net cash from (used in) operating activities	(1,701)	(87,423)	(9,048)	(48,838)
Total assets	3,451,493	3,831,321	3,451,493	3,831,321
Working capital (2)	855,689	931,650	855,689	931,650

(1) *Average sales for the period*

(2) *Working capital is calculated as current assets less current liabilities. This is a non-IFRS measure.*

PETROLEUM AND NATURAL GAS SALES VOLUMES

Sales volumes mcf to boe (6:1 boe conversion)	Three Months Ended Sep. 30 2018	Three Months Ended Sep. 30 2017	Nine Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2017
Natural Gas (mcf/d)	-	-	-	21
Oil and NGL's (bbls/d)	49	44	47	54
Total boe/d	**49**	**44**	**47**	**58**

For the nine-month period ended September 30, 2018, petroleum production was generated at its operated property at Chin Coulee.

In 2017, petroleum production was generated at its operated properties at Chin Coulee and Claresholm. Natural gas and natural gas liquids sales were generated at its non-operated property at Crossfield, AB.

Oil sales volumes at Claresholm were recorded for the production months of January 2017 and February 2017 only, as the Corporation sold the property with an effective date of March 1, 2017.

Overall petroleum and natural gas sales volumes during the nine-month period ended September 30, 2018 decreased by 19% (three-month period ended September 30, 2018 – increase of 11%) as compared to the comparative period last year, partly due to the disposition of Claresholm effective March 1, 2017 as well as lower sales volumes at Chin Coulee due to natural declines. In addition, production during February 2018 was lower due to water injection pump limitations, which was subsequently resolved. As well, during the month of April 2018, Chin Coulee 100/04-34-007-15 W4M/00 was down due to maintenance but has since resumed production.

Overall petroleum and natural gas sales volumes during the three-month period ended September 30, 2018 increased by 11% as compared to the comparative period last year. Although the Corporation disposed of its oil property at Claresholm effective March 1, 2017 which was producing approximately 9 boe/d, production from its operated well at Chin Coulee 100/13-27-007-15W400 averaged higher production levels during the current period.

GROSS REVENUE AND PRICING ($)

	Three Months Ended Sep. 30 2018	Three Months Ended Sep. 30 2017	Nine Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2017
Petroleum	275,939	190,003	740,466	651,146
Natural gas	-	-	-	870
Natural gas liquids	-	-	-	4,536
	275,939	**190,003**	**740,466**	**656,552**
Petroleum ($/bbl)	61.02	46.91	57.81	48.40

Prices received for the Corporation's petroleum during the nine-month period ended September 30, 2018 averaged $57.81/bbl, representing a 19% increase from an average of $48.40/bbl received during the comparative period last year.

Prices received for the Corporation’s petroleum during the three-month period ended September 30, 2018 averaged $61.02/bbl, representing a 30% increase from an average of $46.91/bbl received during the comparative period last year.

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

ROYALTIES ($, except percent of total revenue)

	Three Months Ended Sep. 30 2018	Three Months Ended Sep. 30 2017	Nine Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2017
Crown	52,249	11,959	93,080	39,490
Gross overriding and freehold	19,233	10,351	46,914	41,693
Total royalties	**71,482**	**22,310**	**139,994**	**81,183**
$/boe	15.81	5.51	10.93	5.17
Percent of total revenue	26%	12%	19%	12%

Royalties for the nine-month period ended September 30, 2018 averaged $10.93/boe or 19% of petroleum and natural gas and natural gas liquids revenues as compared to royalties during the comparative period last year of $5.17/boe or 12% of petroleum and natural gas revenues.

Royalties for the three-month period ended September 30, 2018 averaged $15.81/boe or 26% of petroleum and natural gas and natural gas liquids revenues as compared to royalties during the comparative period last year of $5.51/boe or 12% of petroleum and natural gas revenues.

Royalties for the nine month period ended September 30, 2018 on a per boe basis during the current period were higher than during the comparative period last year due to higher average Crude Oil Royalty Calculation Par Prices (reference prices) as pre-determined by Alberta Energy.

OPERATING AND TRANSPORTATION EXPENSES ($)

	Three Months Ended Sep. 30 2018	Three Months Ended Sep. 30 2017	Nine Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2017
Operating expenses	73,508	51,750	183,677	169,543
Operating - transportation	10,755	11,700	34,681	34,945
Total operating expenses	**84,263**	**63,450**	**218,358**	**204,488**
$/boe	18.63	15.67	17.05	13.02
Percentage of gross revenue	31%	33%	29%	31%

Operating expenses for the nine-month period ended September 30, 2018 were $218,358 or $17.05/boe compared to $204,488 or $13.02/boe from the comparative period last year. Operating expenses as a percentage of gross revenue for the nine-month period ended September 30, 2018 was 29% as compared to 31% from the comparative period last year.

Operating expenses for the three-month period ended September 30, 2018 were $84,263 or $18.63/boe compared to $63,450 or $15.67/boe from the comparative period last year. Operating expenses as a percentage of gross revenue for the three-month period ended September 30, 2018 was 31% as compared to 33% from the comparative period last year.

Overall operating costs increased during 2018, in part, due to high average electricity prices per MWh (Mega-watt hour) during the current period, as well as expenses related to repairs and maintenance.

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 Sep. 30 2018	**Three Months Ended Sep. 30 2017**	**Nine Months Ended Sep. 30 2018**	**Nine Months Ended Sep. 30 2017**
Gross revenue	275,939	190,003	740,466	656,552
Royalties	(71,482)	(22,310)	(139,994)	(81,183)
Operating expenses [(2)]	(84,263)	(63,450)	(218,358)	(204,488)
Netback	**120,194**	**104,243**	**382,114**	**370,881**
$/boe	**26.58**	**25.74**	**29.83**	**23.62**

(1) See section titled "NON-IFRS MEASUREMENTS"
(2) Including transportation expenses

Field netbacks for the nine-month period ended September 30, 2018 were $382,114 or $29.83/boe, representing a 26% increase per boe compared to field netbacks from the comparative period last year of $370,881 or $23.62/boe. This increase is mostly due to higher average oil prices received during the current period.

Field netbacks for the three-month period ended September 30, 2018 were $120,194 or $26.58/boe, representing a 3% increase per boe compared to field netbacks from the comparative period last year of $104,243 or $25.74/boe. This increase is mostly due to higher average oil prices received during the current period.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES ($)

	Three Months Ended Sep. 30 2018	**Three Months Ended Sep. 30 2017**	**Nine Months Ended Sep. 30 2018**	**Nine Months Ended Sep. 30 2017**
G&A expenses	123,307	176,076	375,658	466,920
$/boe	$27.27	$43.48	$29.33	$29.74

G&A expenses for the nine-month period ended September 30, 2018 totalled $375,658, representing a 20% decrease from $466,920 from the comparative period last year.

For the nine-month period ended September 30, 2018, G&A expenses were $29.33/boe as compared to $29.74/boe, representing a 1% decrease from the comparative period last year.

G&A expenses for the three-month period ended September 30, 2018 totaled $123,307, representing a 30% decrease from $176,076 from the comparative period last year.

For the three-month period ended September 30, 2018, G&A expenses were $27.27/boe as compared to $43.48/boe, representing a 37% decrease from the comparative period last year

Overall G&A expenses decreased during 2018 as compared to the previous period last year, due, in part, to reduced consulting fees charged and lower rent. Additionally, during the nine-month period ended September 30, 2017, G&A expenses of $19,500 related to marketing fees paid in conjunction with the sale the Corporation's Claresholm asset.

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

	Three Months Ended Sep. 30 2018	**Three Months Ended Sep. 30 2017**	**Nine Months Ended Sep. 30 2018**	**Nine Months Ended Sep. 30 2017**
Salaries and consulting fees	77,139	97,722	235,447	292,614
Audit and legal	9,802	7,269	15,268	16,078
Rent and parking	3,000	6,000	10,000	18,000
Computer services & software	12,524	13,254	33,591	36,101
Directors fees	7,000	3,000	11,500	11,500
Transfer Agent & filing fees	3,901	5,588	13,402	16,052
Insurance	3,603	3,098	9,698	9,193
Travel, meals and entertainment	383	157	939	396
Office supplies and services	5,624	16,975	24,112	23,720
Reserve report	-	-	5,506	(205)
Other	331	23,013	16,195	43,471
	123,307	**176,076**	**375,658**	**466,920**

EXPLORATION AND EVALUATION EXPENSES ($)

	Three Months Ended Sep. 30 2018	**Three Months Ended Sep. 30 2017**	**Nine Months Ended Sep. 30 2018**	**Nine Months Ended Sep. 30 2017**
	28,089	10,986	41,980	26,488

Exploration and evaluation expenses for the nine-month period ended September 30, 2018 totaled $41,980 (September 30, 2017 – $26,488) which comprised of lease rentals related to non-producing properties and other similar expenses.

Exploration and evaluation expenses for the three-month period ended September 30, 2018 totaled $28,089 (September 30, 2017 – $10,986) which comprised of lease rentals related to non-producing properties and other similar expenses.

NET FINANCE EXPENSE ($)

	Three Months Ended Sep. 30 2018	Three Months Ended Sep. 30 2017	Nine Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2017
Interest income	1,973	$1,914	6,523	$4,146
Accretion on decommissioning provision	(4,836)	($3,500)	(14,508)	($10,800)
	(2,863)	**($1,586)**	**(7,985)**	**($6,654)**

During the nine-month period ended September 30, 2018, interest income of $6,523 (September 30, 2017 - $4,146) was earned on funds held in a T-bill savings account and accretion of decommissioning provision expense of $14,508 (September 30, 2017 - $10,800) was recorded.

During the three-month period ended September 30, 2018, interest income of $1,973 (September 30, 2017 - $1,914) was earned on funds held in a T-bill savings account and accretion of decommissioning provision expense of $4,836 (September 30, 2017 - $3,500) was recorded.

DEPLETION, DEPRECIATION, AND AMORTIZATION ("DD&A") ($)

	Three Months Ended Sep. 30 2018	Three Months Ended Sep. 30 2017	Nine Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2017
Depletion	99,968	90,223	283,155	$291,593
$/boe	**22.11**	**22.28**	**22.11**	**18.57**

Using the unit-of-production method based on total estimated proved plus probable reserves, depletion for the nine-month period ended September 30, 2018 was $283,155 or $22.11/boe compared to $291,593 or $18.57/boe during the same period last year. Lower overall depletion during the current period is mostly due to lower average sales volumes in the current period.

Using the unit-of-production method based on total estimated proved plus probable reserves, depletion for the three-month period ended September 30, 2018 was $99,968 or $22.11/boe compared to $90,223 or $22.28/boe during the same period last year. Higher overall depletion during the current period is mostly due to higher average sales volumes in the current period.

IMPAIRMENTS

There were no indicators of impairment identified at September 30, 2018.

EXPLORATION AND EVALUATION ASSETS

During the three and nine-month period ended September 30, 2018, the Corporation did not record any exploration and evaluation assets.

PROPERTY AND EQUIPMENT

During the three and nine-month period ended September 30, 2018, the Corporation did not in incur any capital expenditures on its developed and producing properties.

DECOMMISSIONING EXPENSES

During the three and nine-month period ended September 30, 2018, the Corporation incurred $1,406 and $12,167 respectively (three and nine-month period ended September 30, 2017 - $4,098 and $5,129 respectively) 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, 2017	121,234,854	$ 15,922,585
Balance, September 30, 2018	121,234,854	$ 15,922,585

SHARE-BASED COMPENSATION

Under the Corporation's share 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, share 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. As at September 30, 2018, these share options expired unexercised.

In April 2014, share 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, share 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 Corporation recorded share-based compensation expense of $Nil during the three and nine months ended September 30, 2018 ($Nil and $4,725 during the three and nine months ended September 30, 3017 respectively) with a corresponding increase to contributed surplus.

NET LOSS AND COMPREHENSIVE LOSS, AND CASH FLOWS FROM OPERATING ACTIVITIES ($)

	Three Months Ended Sep. 30 2018	Three Months Ended Sep. 30 2017	Nine Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2017
Net loss and comprehensive loss	(134,033)	(174,628)	(326,664)	(526,158)
Per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Net cash from (used in) operating activities	(1,701)	(87,423)	(9,048)	(48,838)

During the nine-month period ended September 30, 2018, the Corporation recorded a net loss and comprehensive loss of $326,664 (September 30, 2017 - $526,158). On a per share basis, this loss equates to $0.00 per share (September 30, 2017 - $0.00 per share).

During the three-month period ended September 30, 2018, the Corporation recorded a net loss and comprehensive loss of $134,033 (September 30, 2017 - $174,628). On a per share basis, this loss equates to $0.00 per share (September 30, 2017 - $0.00 per share).

SUPPLEMENT TO THE FINANCIAL STATEMENTS

The outstanding common shares and share options are summarized below (also see notes 10 and 11 to the unaudited condensed interim financial statements for three and nine month periods ended September 30, 2018):

	November 27, 2018	September 30, 2018
Common shares	121,234,854	121,234,854
Stock options	7,600,000	7,600,000

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, the Corporation had a working capital surplus of $855,689 (December 31, 2017 - $896,857), which included cash of $929,898 (December 31, 2017 - $919,199).

RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2018, professional fees of $9,802 and $14,568 respectively (three and nine months ended September 30, 2017 - $6,734 and $14,045 respectively) 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, $3,353 is included in accounts payable and accrued liabilities as at September 30, 2018 (September 30, 2017 - $4,512).

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.

MATERIAL TRANSACTIONS

On November 13, 2018, the Corporation entered into a definitive reorganization and investment agreement with Ian Atkinson, Calvin Yau, Chris Birchard and Gary McMurren (the “Initial Investor Group”) which provides for: (i) a non-brokered private placement of up to an aggregate of $20.0 million, provided that the Corporation shall be entitled to increase the size of the private placement to $25.0 million as a result of excess demand (the “Private Placement”); (ii) the appointment of a new management team (the “New Management Team”) and new Board of Directors (the “New Board”) in connection with the completion of the Private Placement; and (iii) subject to regulatory approval, a rights offering (the “Rights Offering”) to holders of common shares ("Common Shares") of Corporation (collectively, the "Recapitalization"). Completion of the Recapitalization is subject to customary closing conditions, including the approval of the TSX Venture Exchange (the "TSXV").

The Corporation also entered into a definitive agreement (the "Acquisition Agreement"), pursuant to which the Corporation will acquire all of the limited partnership units of Gulf Pine Energy Partners, LP ("Gulf Pine") for a total transaction value of USD$24.4 million (comprised of cash consideration of USD$3,425,000), including net debt (the "Transaction"). In connection with the Transaction, the Corporation has arranged for a USD$13.5 million credit facility held with a reputable US independent commercial bank. The Transaction is subject to customary closing conditions, including the approval of the TSXV.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

There are no contractual obligations or capital commitments.

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 is exposed to a variety of financial risks including credit risk, liquidity risk and market risk from its use of financial instruments. 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 interim financial statements. The Corporation employs risk management strategies and polices 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 cash and cash equivalents, 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 marketers 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.

The Corporation sells substantially all of its production to two marketers.

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. The Corporation has not experienced any collection issues with its marketers.

As at September 30, 2018, the Corporation's accounts receivable were comprised of the following:

	September 30, 2018
Petroleum and natural gas sales	$ 69,769
Joint interest partners	370
GST	11,816
Other	679
	$ 82,634
0 to 30 days	$ 71,062
31 to 60 days	-
61 to 90 days	-
Greater than 90 days	11,572
	$ 82,634

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, 2018. The amount due from marketers at September 30, 2018 totaling $69,769 was subsequently collected in full.

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 payable are normally due between 30 and 60 days from the date of invoice.

The Corporation's accounts payable and accrued liabilities as at September 30, 2018 are comprised of the following:

	September 30, 2018
General and administrative	$ 19,034
Operating	221,357
Other	29,965
	$ 270,356
0 to 30 days	$ 102,792
31 to 60 days	14,087
61 to 90 days	2,095
Greater than 90 days	151,382
	$ 270,356

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

At September 30, 2018, the estimated liability relating to the fair value of the Corporation's 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 included in accounts payable and accrued liabilities is $29,965.

On March 4, 2016, the Corporation served the shareholder with a Formal Offer to Settle for 937,032 common shares of the Corporation 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 crude oil are determined in global markets and generally are denominated in United States dollars ("US$"). Natural gas prices obtained by the Corporation will be influenced by both United States and Canadian demand and the corresponding North American supply, and by imports of liquefied natural gas. An increase (decrease) in the value of the Canadian dollar relative to the US$ will decrease (increase) the revenues received from the sale of crude oil and natural gas commodities. The impact of such exchange rate fluctuations cannot be accurately quantified.

As at and for the nine-month period ended September 30, 2018, the Corporation had no forward foreign exchange contracts in place or monetary assets and liabilities denominated in foreign currency.

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 does not have any debt hence there is no exposure to interest rate risk as at September 30, 2018.

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.

A 10% change in the commodity prices, assuming that production remained constant at 2018 level, the Corporation's net loss would vary by $74,047.

(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 September 30, 2018 is as follows:

	September 30, 2018
Current assets	$ 1,126,045
Current liabilities	(270,356)
Working capital	**$ 855,689**

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, 2018.

SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim financial statements as at and for the three and nine months ended September 30, 2018have been prepared following the same accounting policies and methods of computation as the Corporation's audited annual financial statements for the year ended December 31, 2017, except as noted below:

IFRS 9 — Financial Instruments replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted.

As of January 1, 2018, the Corporation adopted all of the requirements of IFRS 9. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. On January 1, 2018, the Corporation determined the appropriate classification category and measurement of its financial statements and liabilities under IFRS 9 and compared each of their original classification and measurement under IAS 39 as shown below:

Financial instrument	**Measurement category (IAS 39)**	**Measurement category (IFRS 9)**
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Corporation does not have any asset contracts and debt investments measured at FVOCI.

IFRS 9 has introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have any impact on the financial statements of the Corporation, however there are additional required disclosures which have been included in note 4.

IFRS 9 also contains a new hedge accounting model, however the Corporation does not apply hedge accounting to any of its risk management contracts. The adoption of IFRS 9 has been applied retrospectively and did not result in a change in the carrying value of any of the Corporation's financial instruments on the transition date.

IFRS 15 — Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation adopted the standard on January 1, 2018 using the modified retrospective approach. There were no changes to reported net earnings or retained earnings as a result of adopting IFRS 15. IFRS 15 requires additional disclosures to disclose disaggregated revenue by product type, refer to note 9.

In addition, as a result of the adoption of IFRS 15, the Corporation has revised the description of its accounting policy for revenue recognition as follows:

Revenue recognition

Revenue from the sale of natural gas, natural gas liquids, condensate and crude oil (collectively “products”) is recognized based on the consideration specified in contracts with customers and when the control of the products are transferred to the customers and collection is reasonably assured. The revenue is based on prices specified in the contract and the revenue is recognized when it transfers control of the product to a customer. The sales or transaction price of the Corporation’s products to customers are made pursuant to contracts based on prevailing commodity pricing and adjusted by quality and equalization adjustments. The revenue is collected on the 25th day of the month following production.

Future accounting pronouncement:

IFRS 16 — Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (“lessee”) and the supplier (“lessor”) and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Corporation is in the early stages of evaluating the impact of IFRS 16 on its financial statements and the extent of the impact has not yet been determined

CRITICAL ACCOUNTING ESTIMATES

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management’s most critical estimates, judgments and assumptions in preparation of the financial statements:

Identification of cash-generating units (CGUs)

The Corporation’s petroleum and natural gas assets are grouped into CGUs based on the ability of these assets to generate separately identifiable independent cash inflows. The classification of assets into CGUs requires significant judgment and interpretation. Management considers factors such as integration among assets, shared infrastructure, common sales points, geography and how management makes decisions about the Corporation’s operations.

Reserves

The Corporation's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 - Standards of Disclosure for Petroleum and Gas Activities*. The reserve assessment was completed by an external independent reserve engineering firm for the years ended December 31, 2017 and 2016.

Oil and natural gas reserves are used in the calculation of depletion, and impairment and/or impairment reversal determinations. Reserve estimates are based on engineering data, estimated future prices and costs, expected future rates of production and the timing of future capital expenditures; all of which are subject to many uncertainties and estimations. The Corporation expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, oil and gas production levels and reservoir performance and may also be affected by changes in commodity prices.

Recoverable value of exploration and evaluation assets, and property and equipment

Exploration and evaluation assets are inherently judgmental to value. The amounts for exploration and evaluation assets represent active exploration projects and investments. These amounts are recorded to profit or loss as exploration costs unless the determination process is not completed and there are no indications of impairment at the reporting date or commercial reserves are established. The outcome of ongoing exploration and evaluation activities and whether the carrying value of exploration and evaluation assets will ultimately be recovered is inherently uncertain and requires significant judgment and estimates.

Management performs impairment tests on the Corporation's property and equipment when indicators of impairment are present. The assessment of impairment indicators is subjective and considers the various internal and external factors such as the financial performance of individual CGUs, market capitalization and industry trends. In addition, the impairment assessment is impacted by how management determines the composition of CGUs. Management has grouped assets into CGUs based on several factors with a primary focus on assets whose cash inflows are independent. If impairment indicators are present an impairment test is required to be performed and the CGU is written down to its recoverable amount. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimate of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

Decommissioning provisions

The calculation of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

Valuation of accounts receivable

The valuation of accounts receivable is based on management's best estimate of collectability and provisions for doubtful accounts.

Valuation of contingent liability

The valuation of the contingent liability relating to the dissenting shareholder is based on management's best estimate of the ultimate settlement.

Taxes

The amounts recorded for deferred taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently enacted or substantively enacted. They are also based on estimates of the probability of the Corporation utilizing certain tax pools and assets which, in turn, is dependent on estimates of proved and probable reserves, production rates, future petroleum and natural gas prices and changes in legislation, tax rates and interpretations by taxation authorities. The availability of tax pools is subject to audit and interpretation by taxation authorities.

Share options and warrants

The amounts recorded relating to the fair value of share options and warrants issued are based on estimates of the future volatility of the Corporation's share price, market price of the Corporation's shares at the grant date, expected lives of the options and warrants, risk-free interest rate, forfeiture rate, expected dividends and other relevant assumptions.

SCHEDULE “C”

Financial Statements of Gulf Pine

Consolidated Financial Statements of

GULF PINE ENERGY PARTNERS, LP

For the years ended December 31, 2017 and 2016

(U.S. Dollars)

Deloitte.

Deloitte LLP
700, 850 2 Street SW
Calgary, AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 587-774-5379
www.deloitte.ca

Independent Auditor's Report

To the Unitholders of Gulf Pine Energy Partners, LP:

We have audited the accompanying consolidated financial statements of Gulf Pine Energy Partners, LP, which comprise the consolidated balance sheet as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, consolidated statement of changes in unitholders' equity and consolidated statement of cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gulf Pine Energy Partners, LP as at December 31, 2017 and December 31, 2016, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte LLP

Chartered Professional Accountants
December 14, 2018
Calgary, Alberta

($000s)	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 4,784	$ 1,223
Trade and other receivables (Note 11)	1,392	174
Prepaid expenses and deposits	381	3,509
Derivative assets (Note 16)	330	158
	6,887	5,064
Oil and gas properties (Note 8)	123,823	74,033
Other property, plant and equipment (Note 8)	456	299
	124,279	74,332
Less accumulated depletion, depreciation and amortization (Note 8)	(65,523)	(10,952)
Net property, plant and equipment	58,756	63,380
Derivative assets (Note 16)	119	-
Total assets	$ 65,762	$ 68,444
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 12)	10,271	1,709
Derivative liabilities (Note 16)	88	-
	10,359	1,709
Long-term Liabilities		
Derivative liabilities (Note 16)	93	-
Bank loan (Note 10)	16,000	-
Asset retirement obligations (Note 9)	2,325	94
	28,777	1,803
Commitments and contingencies (Note 17)		
Unitholders' equity (Note 5)		
Unitholders' capital - $1.00 par, 152,000,000 units authorized, 94,609,568 units issued at December 31, 2016 and 119,809,568 units issued at December 31, 2017	119,810	94,610
Paid-in capital	445	426
Deficit	(83,270)	(28,395)
	36,985	66,641
Total liabilities and unitholders' equity	$ 65,762	$ 68,444

(See accompanying Notes to the Consolidated Financial Statements)

($000s)	Year ended December 31, 2017	Year ended December 31, 2016
Revenues		
Oil and natural gas sales	$ 11,917	$ 1,707
Expenses		
Operating	5,648	999
Production taxes	723	51
Exploration	1,223	2,467
Depletion, depreciation, amortization and accretion (Note 8)	10,888	5,876
Impairment (Note 8)	43,800	-
(Gain) / loss on derivatives (Note 16)	(944)	138
Interest	585	-
General and administrative	4,036	4,085
Stock based compensation	19	85
Transaction costs	841	130
Foreign exchange (gain) / loss, net (Note 14)	(27)	(28)
	$ 66,792	$ 13,803
Net Loss and Comprehensive Loss	$ (54,875)	$ (12,096)

(See accompanying Notes to the Consolidated Financial Statements)

($000s, except unit amounts)	Units		Unitholders' capital		Paid-in capital		Retained Earnings		Unitholders' equity
Balance, December 31, 2015	78,377,568		78,378		341		(16,299)		62,420
Units Issued (Note 5)	16,232,000		16,232		-		-		16,232
Share Based Compensation	-		-		85		-		85
Net Loss	-		-		-		(12,096)		(12,096)
Balance, December 31, 2016	94,609,568	$	94,610	$	426	$	(28,395)	$	66,641
Units Issued (Note 5)	25,200,000		25,200		-		-		25,200
Share Based Compensation	-		-		19		-		19
Net Loss	-		-		-		(54,875)		(54,875)
Balance, December 31, 2017	119,809,568	$	119,810	$	445	$	(83,270)	$	36,985

(See accompanying Notes to the Consolidated Financial Statements)

($000s)	Year ended December 31, 2017	Year ended December 31, 2016
Operating activities		
Net Loss	$ (54,875)	$ (12,096)
Premium paid for derivative	-	(296)
Proceeds from unwound derivative	230	-
Changes in non-cash items:		
Depletion, depreciation and amortization (Note 8)	10,888	5,876
Impairment (Note 8)	43,800	-
Stock Based Compensation (Note 6)	19	85
(Gain) / loss on unwound derivative (Note 16)	(72)	-
Unrealized (gain) / loss on derivatives (Note 16)	(268)	138
Increase (Decrease) in working capital (Note 15)	1,276	1,276
Net cash used in operating activities	998	(5,017)
Investing activities		
Capital expenditures	(16,142)	(11,699)
Acquisitions	(31,691)	(1,568)
Changes in non-cash working capital (Note 15)	9,196	(6,878)
Net cash used in investing activities	(38,637)	(20,145)
Financing activities		
Bank loan (Note 10)	16,000	-
Unitholders capital (Note 5)	25,200	16,232
Net cash provided by financing activities	41,200	16,232
Net increase (decrease) in cash and cash equivalents	3,561	(8,930)
Cash and cash equivalents, beginning of period	1,223	10,153
Cash and cash equivalents, end of period	$ 4,784	$ 1,223

(See accompanying Notes to the Consolidated Financial Statements)

1. Reporting Entity

Gulf Pine Energy Partners, LP ("Gulf Pine") is an exploration and production company focused on developing light oil and natural gas resources in the U.S. Gulf Coast region. Gulf Pine's operations are primarily focused in Mississippi and Alabama. Our goal is to identify assets with large oil & natural gas in place and low recovery or limited exploitation and apply management's extensive operational experience in horizontal drilling and completion technology to help capture these resources. Gulf Pine's head office is located in Calgary, Alberta, Canada. The financial statements were authorized for issue by the Board of Managers on April 11, 2018.

2. Significant Accounting Policies

a) Principles of Reporting and Consolidation

The consolidated financial statements of Gulf Pine include the accounts of all domestic and foreign subsidiaries. Undivided interests in oil and gas joint ventures are consolidated on a proportionate basis. All intercompany balances and transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). These Consolidated Financial Statements are presented in US dollars which is Gulf Pine's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand unless otherwise indicated.

b) Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although management believes these estimates are reasonable, actual results could differ from these estimates. Changes in estimates are recorded prospectively. Significant assumptions are required in the valuation of proved oil and natural gas reserves that may affect the amount at which oil and natural gas properties are recorded. Estimation of asset retirement obligations ("AROs") also require significant assumptions. It is possible that these estimates could be revised at future dates and these revisions could be material. Depletion of oil and natural gas properties are determined using estimates of proved oil and natural gas reserves. There are numerous uncertainties inherent in the estimation of quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. Similarly, evaluations for impairment of proved and unproved oil and natural gas properties are subject to numerous uncertainties including, among others, estimates of future recoverable reserves and commodity price estimates.

c) Cash and Cash Equivalents

Gulf Pine considers all highly liquid investments to be cash equivalents if they have maturities of three months or less at the date of purchase.

d) Accounts Receivable

Gulf Pine's accounts receivables are generated from oil and gas sales, joint interest owners on properties that we operate and from expected tax rebates. For receivables from joint interest owners, Gulf Pine usually has the ability to withhold future revenue disbursements to satisfy the outstanding balance. The expected tax rebates are for goods and services tax paid in Canada that are remitted to the Canada Revenue Agency by the end of March for the prior year expenditures.

e) Business Acquisitions

Gulf Pine accounts for business acquisitions using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net asset acquire is attributed to goodwill.

f) Oil and Natural Gas Properties

Gulf Pine accounts for its crude oil and natural gas exploration and production activities under the successful efforts method of accounting.

Unproved Property Costs - Oil and gas lease acquisition costs, including lease rentals are capitalized when incurred. Unproved properties with acquisition costs that are not individually significant are aggregated. If the unproved properties are determined to be productive, the appropriate related costs are transferred to proved oil and gas properties. Unproved property costs are amortized on a straight-line basis over the remaining lease term.

Proved Property Costs - Costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of crude oil and natural gas, are capitalized.

Depreciation, depletion and amortization – Proved oil and gas properties are depleted using the unit-of-production method. The reserve base used to calculate depreciation, depletion and amortization for leasehold acquisition costs and the cost to acquire proved properties is the sum of proved developed reserves and proved undeveloped reserves. With respect to lease and well equipment costs, which include development costs and successful exploration drilling costs and geological costs relating to specific reserves, the reserve base includes only proved developed reserves. Estimated future dismantlement, restoration and abandonment costs, are taken into account.

Oil and gas properties are grouped in accordance with the Extractive Industries - Oil and Gas Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The basis for grouping is a reasonable aggregation of properties with a common geological structural feature or stratigraphic condition, such as a reservoir or field.

Amortization rates are updated quarterly to reflect: 1) the addition of capital costs, 2) reserve revisions (upwards or downwards) and additions, 3) property acquisitions and/or property dispositions and 4) impairments.

Impairment - When circumstances indicate that proved oil and gas properties may be impaired, Gulf Pine compares expected undiscounted future cash flows at an asset group level to the net book value of the asset. If the expected undiscounted future cash flows, based on Gulf Pine's estimate of future crude oil and natural gas prices, operating costs, anticipated production from proved reserves and other relevant data, are lower than the unamortized capitalized cost, the capitalized cost is reduced to fair value.

The factors used to determine fair value are subject to the Company's judgment and expertise and include, but are not limited to, recent sales prices of comparable properties, the present value of future cash flows on all risk adjusted proved plus probable reserves, net of estimated operating and development costs, future commodity pricing based on forward strip pricing adjusted for basis differential, future production estimates, anticipated capital expenditures, and various discount rates commensurate with the risk and current market conditions associated with realizing the expected cash flows projected.

The Company assesses its unproved properties periodically for impairment on a property-by-property basis, which requires significant judgment. The Company considers the following factors in its assessment of the impairment of unproved properties:

- the remaining amount of unexpired term under leases;
- its ability to actively manage and prioritize its capital expenditures to drill leases and to make payments to extend leases that may be closer to expiration;
- its ability to exchange lease positions with other companies that allow for higher concentrations of ownership and development;
- its ability to convey partial mineral ownership to other companies in exchange for their drilling of leases;
- its evaluation of the continuing successful results from the application of completion technology by the Company or by other operators in areas adjacent to or near its unproved properties;
- its evaluation of the current fair market value of acreage; and
- strategic shifts in development areas.

Other PP&E - Property, plant and equipment consists of leasehold improvements, computer hardware and software, vehicles, and furniture and fixtures. Property, plant and equipment is generally depreciated on a straight-line basis over the estimated useful lives of the property, plant and equipment, which range from 3 years to 5 years.

Maintenance and repair costs that do not extend the useful life of the property or equipment are charged to expense as incurred.

g) Exploration

Exploration expenditures, including geological and geophysical costs not related to specific reserves, delay rentals and exploratory dry hole costs are expensed as incurred. Costs of drilling exploratory wells are initially capitalized pending determination of whether proved reserves can be attributed to the discovery. If management determines that commercial quantities of hydrocarbons have not been discovered, capitalized costs associated with exploratory wells are expensed. In some circumstances, it may be uncertain whether proved commercial reserves have been discovered when drilling has been completed. Such exploratory well drilling costs may continue to be capitalized if the reserve quantity is sufficient to justify its completion as a producing well and sufficient progress in assessing the reserves and the economic and operating viability of the project is being made. Gulf Pine has $2.6 million of capitalized exploratory well costs that are pending determination of proved reserves as of December 31, 2017.

h) Fair Value Measurement

The Company's financial instruments consist of cash and cash equivalents, derivative contracts, trade receivables, trade payables and accrued liabilities. Cash and cash equivalents, trade receivables, trade payables and accrued liabilities are carried at cost and approximate fair value due to the short-term nature of these instruments.

Gulf Pine's financial instruments, primarily trade and accrued production receivables, are exposed to concentrations of credit risk. The trade and accrued production receivables are dispersed among various customers and purchasers; therefore, concentrations of credit risk are limited.

Gulf Pine utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps. The derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. Gulf Pine does not apply hedge accounting to its commodity derivative contracts; accordingly, changes in the fair value of these instruments are recognized in the Consolidated Statements of Operations in the period of change.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. The fair value of an asset should reflect its highest and best use by market participants, whether in-use or an in-exchange valuation premise.

The fair value of a liability should reflect the risk of non-performance, which includes, among other things, our credit risk.

The company uses various methods, including the income approach and market approach, to determine the fair values of our financial instruments that are measured at fair value on a recurring basis, which depend on a number of factors, including the availability of observable market data over the contractual term of the underlying instrument. For some of our instruments, the fair value is calculated based on directly observable market data or data available for similar instruments in similar markets. For other instruments, the fair value may be calculated based on these inputs as well as other assumptions related to estimates of future settlements of these instruments. Financial instruments are separated into three levels (levels 1, 2 and 3) based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the fair value of our instruments. The assessment of an instrument can change over time based on the maturity or liquidity of the instrument, which could result in a change in the classification of the instruments between levels.

Each of these levels and our corresponding instruments classified by level are further described below:

- Level 1 Inputs— unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Inputs—quotes which are derived principally from or corroborated by observable market data.
- Level 3 Inputs—unobservable inputs for the asset or liability, such as discounted cash flow models or valuations, based on various assumptions and future commodity prices.

i) Asset Retirement Obligations

Gulf Pine's future asset retirement obligations relate to future costs associated with plugging and abandoning our oil and natural gas wells, removing equipment and facilities from leased acreage, and returning land to its original condition. The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred, discounted to its present value using our credit-adjusted-risk-free interest rate, and a corresponding amount capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted each period, and the capitalized cost is depreciated over the useful life of the related asset. Revisions to estimated retirement obligations will result in an adjustment to the related capitalized asset and corresponding liability.

j) Revenue Recognition

The Company records revenues, net of royalties, discounts, and allowances, as applicable, from the sales of crude oil, natural gas and natural gas liquids ("NGLs") when delivery to the customer has occurred and title has transferred. This occurs when oil or gas has been delivered to a pipeline or a tank lifting has occurred. At the end of each month, the Company estimates the amount of production delivered to the purchaser and the price the Company will receive. The Company factors in historical performance, quality and transportation differentials, commodity prices, and other factors when deriving revenue estimates. Payment is generally received within 30 to 90 days after the date of production.

The company recognizes revenue and expenses of purchased producing properties at the time it assumes effective control, commencing from either the closing or purchase agreement date, depending on the underlying terms and agreements. The same methodology is followed in reverse when properties are sold by recognizing revenue and expenses of the sold properties until the closing date.

k) Foreign Currency Translation

The United States dollar is the functional currency for all of Gulf Pine's consolidated subsidiaries. Any gains or losses on transactions or monetary assets or liabilities in currencies other than the functional currency are included in net income in the current period.

l) Income Taxes

Gulf Pine is not a directly taxable entity. Income taxes on its income are the responsibility of the individual unitholders and accordingly, have not been recorded in the consolidated financial statements. However, Gulf Pine has a wholly-owned subsidiary which is a taxable corporations subject to Canadian federal and provincial income taxes and which are included in the consolidated financial statements.

The Canadian subsidiary is a management corporation for Gulf Pine and does not hold any oil and gas assets or carry on any oil and gas operations. Income taxes on the Canadian corporate subsidiary are determined using the asset and liability method, which results in deferred income tax assets and liabilities arising from temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. This method requires the effect of tax rate changes on current and accumulated deferred income taxes to be reflected in the period in which the rate change was enacted. The asset and liability method also requires that deferred income tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized.

The Company's policy is to recognize accrued interest and penalties on accrued tax balances as components of interest expense.

m) Commitments and Contingencies

The company could be subject to audits for various taxes (income, sales and use, and severance) in the various states in which it operates, and from time to time receive assessments for potential taxes that it may owe. Currently, Gulf Pine has no material assessments for potential taxes, legal contingencies or other potential claims.

The company could be subject to various possible contingencies that arise primarily from interpretation of federal and state laws and regulations affecting the oil and natural gas industry. Such contingencies include differing interpretations as to the prices at which oil and natural gas sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Although Gulf Pine believes that it has complied with the various laws and regulations, administrative rulings and interpretations thereof, adjustments could be required as new interpretations and regulations are issued. In addition, production rates, marketing and environmental matters are subject to regulation by various federal and state agencies.

Liabilities are recorded for loss contingencies when it becomes probable that a liability has been incurred and the amount can be reasonably estimated.

n) Share based Compensation

Gulf Pine accounts for share-based transactions using fair value and recognize compensation expense over the requisite service period. The fair value of each option award is estimated using a Black-Scholes option valuation model with various assumptions based on various estimates. The assumptions include expected volatility, expected term of option, risk-free interest rate and dividend yield.

3. New Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-01 "Business Combinations (Topic 805)", which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposal of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. Gulf Pine has early adopted this ASU for the year ended December 31, 2016. As a result of the adoption of this ASU, certain properties that were acquired February 1, 2017, have been accounted for as a property acquisition instead of a business combination.

In August 2016, FASB issued ASU 2016-15, Clarification on Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows, to create consistency in the classification of eight specific cash flow items. Though this standard is effective for calendar-year SEC registrants beginning in 2018, companies should begin evaluating the accounting for these transactions under this guidance in order to establish presentation consistency for when the guidance becomes mandatory and consider whether early adoption is appropriate. Gulf Pine has reviewed ASU 2016-15 and concluded that at this time there will be no impact on its cash flows upon adoption of the new standard in 2018.

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The pronouncement requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. Gulf Pine does not intend to early adopt the standard. Gulf Pine is currently assessing the impact the adoption of ASU 2016-02 will have on the financial position and results of its operations.

In January 2016, the FASB issued Update No. 2016-01 - Financial Instruments - Overall to require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. This authoritative guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company has evaluated the provisions of this guidance in relation to the Company's derivatives and does not believe it will have a material effect on the Company's financial statements or disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". The ASU creates a single source of revenue guidance for all companies in all industries and requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 sets forth a new revenue recognition model that requires identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers - Deferral of the Effective Date". The ASU defers the effective date of the new revenue recognition model by one year. As a result, the guidance will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Gulf Pine will adopt ASU 2014-09 on January 1, 2018. The Company does not believe that the new standard will have an impact on its consolidated financial position, results of operations, and cash flows, but there will be further note disclosures required.

4. Asset Acquisition

On February 1, 2017, Gulf Pine acquired approximately 26,000 net acres of held by production land and oil and gas properties, leasehold mineral interests and related assets located in Central Mississippi for $31.4 million. The Central Mississippi acquisition had an effective date of January 1, 2017 and closed on February 1, 2017. The transaction was accounted for as an asset acquisition in accordance with ASU 2017-01. Therefore, the acquired interests were recorded based upon the cash consideration paid.

5. Unitholders' Equity

On November 17, 2014, Gulf Pine entered into the Unit Subscription Agreement between Gulf Pine Energy Partners, LP and the "Investor" group. As part of the agreement, Gulf Pine was extended a Line of Equity of $152.0 million. At December 31, 2017, Gulf Pine had drawn $119,809,568 (December 31, 2016 - $94,609,568) against the Line of Equity.

Unitholders' Capital	Year ended Dec 31, 2017		Year ended Dec 31, 2016	
Authorized unlimited number of Series A units issued:	Shares	Amount	Shares	Amount
Balance, beginning of period	94,609,568	$ 94,610	78,377,568	$ 78,378
Issued for cash:				
Series A units	25,200,000	$ 25,200	16,232,000	$ 16,232
Balance, end of period	**119,809,568**	**$ 119,810**	**94,609,568**	**$ 94,610**

In 2016, Gulf Pine issued 16,232,000 Series A units for cash consideration of $16,232,000. Details of the Series A units issued in 2016 are presented below:

Date of issuance	Units Issued	Amount
March 4	5,000,000	$ 5,000
April 11	2,000,000	2,000
July 25	6,000,000	6,000
December 9	3,232,000	3,232
Total Series A units issued in 2016	**16,232,000**	**$ 16,232**

In 2017, Gulf Pine issued 25,200,000 Series A units for cash consideration of $25,200,000. Details of the Series A units issued in 2017 are presented below:

Date of issuance	Units Issued	Amount
January 12	2,000,000	$ 2,000
January 30	16,000,000	16,000
March 15	200,000	200
August 21	5,000,000	5,000
December 20	2,000,000	2,000
Total Series A units issued in 2017	**25,200,000**	**$ 25,200**

6. Stock Based Compensation

Long Term Incentive Plan

Gulf Pine has 30,400,000 Series B Units authorized for issue through a Restricted Unit Agreement, that allows certain Employees and Consultants to acquire, from time to time, Series A Units of the Partnership. The Series B Units vest equally over a four-year time period on the anniversary date of them being granted. In 2016, 608,000 additional Series B Units were granted and 1,824,000 were forfeited. In 2017, 3,268,000 additional Series B Units were granted and 2,584,000 were forfeited. The first tranche of Series B Units have an expiry date of Jan 1, 2020. The value of the Series B Units was calculated using a Black Scholes model and determined to have a fair value of $0.5 million as at Dec 29, 2014. The risk-free rate used to value the Series B Units was 0.988% - 1.133% over the 4 years of vesting, with an expected volatility of 20% and forfeiture rate of 10%.

Gulf Pine recognized compensation expense of $0.02 million in 2017 and $0.09 million in 2016. As at December 31, 2017 unrecognized compensation cost was $0.01 million and will be amortized through 2018. As of December 31, 2017, 4,408,000 Series B Units have been forfeited and zero converted to Series A Units.

7. Exploratory Well Costs

Gulf Pine's net changes in capitalized exploratory well costs are presented below:

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Balance, beginning of year	$ 8,595	$ 7,208
Additions pending the determination of proved reserves	8,463	12,436
Reclassification to proved properties	(14,448)	(11,049)
Balance, end of year	**$ 2,610**	**$ 8,595**

a) Exploration Well Costs

During the twelve months ended December 31, 2017, Gulf Pine incurred $8.5 million of exploratory well costs that were pending the determination of reserves in 2017. The exploratory wells costs included the drilling of the 2.0 gross (2.0 net before payout) operated wells in the Mechanicsburg field and preliminary expenditures for future drills. These two wells have both been rig released and are currently on production.

During the twelve months ended December 31, 2016, Gulf Pine incurred $12.4 million of exploratory well costs that were pending the determination of reserves in 2016. The exploratory wells costs included the remaining expenditures for the MB 26-1 #1, the drilling of the 2.0 gross (2.0 net before payout) operated wells and preliminary expenditures for future drills. These wells were all rig released in the first quarter.

8. Property Plant and Equipment ("PP&E")

The following table presents the reconciliation of the beginning and ending amounts of our PP&E balances including accumulated depletion, depreciation, amortization and impairment:

As at December 31, 2017	**Cost**	**Accumulated Depletion, Depreciation, Amortization and Impairment**	**Net Book Value**
Oil and natural gas properties			
Unproved properties	$ 19,545	$ (10,705)	$ 8,840
Proved properties	101,668	(54,649)	47,019
Pending reserve determination (Note 6)	2,610	-	2,610
Total oil and natural gas properties	123,823	(65,354)	58,469
Other capital assets	456	(169)	287
Total PP&E	**$ 124,279**	**$ (65,523)**	**$ 58,756**

As at December 31, 2016	**Cost**	**Accumulated Depletion, Depreciation, Amortization and Impairment**	**Net Book Value**
Oil and natural gas properties			
Unproved properties	$ 17,138	$ (7,240)	$ 9,898
Proved properties	48,300	(3,622)	44,678
Pending reserve determination (Note 6)	8,595	-	8,595
Total oil and natural gas properties	74,033	(10,862)	63,171
Other capital assets	299	(90)	209
Total PP&E	**$ 74,332**	**$ (10,952)**	**$ 63,380**

In the fourth quarter of 2017, Gulf Pine recorded impairment expenses of $43.8 million related to proved properties. The impairment of the proved properties was attributed to multiple fields within the Black Warrior Basin operated field. The fair value of the Black Warrior Basin operated field was determined using the reserve report prepared by Netherland, Sewell & Associates, Inc. as at December 31, 2017, adjusted for strip pricing, using a 10% discount factor. There were no probable or possible locations booked to the Black Warrior Basin area due to the capital allocation for Gulf Pine being deployed towards the Central Mississippi assets. The reduced capital allocation was the primary driver for the lower cash flows and subsequent impairment expenses recorded. There were no impairments recorded to unproved properties in 2017. Refer to Note 16 – Fair Value Measurements.

There were no impairments recorded to proved or unproved properties in 2016.

9. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of legal obligations associated with the retirement of property, plant and equipment:

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Balance, beginning of year	$ 94	$ 52
Liabilities incurred and acquired	2,114	39
Accretion	117	3
Balance, end of year	**$ 2,325**	**$ 94**
Long term liability	**$ 2,325**	**$ 94**

10. Credit Facility

Gulf Pine had the following long-term debt obligations outstanding as at the dates indicated:

	As at Dec 31, 2017	As at Dec 31, 2016
Senior Secured Bank Credit Facility	$ 16,000	$ -
Long-term liability	**$ 16,000**	**$ -**

In January 2017, Gulf Pine entered into an $150 million Senior Secured Credit Facility with Texas Capital Bank. The credit facility is secured against the Oil and Gas properties of Gulf Pine. The initial borrowing base is $20 million with a maturity date of February 1, 2021. The borrowing base for the Senior Secured Credit Facility is reviewed semi-annually, with the first redetermination on October 1, 2017. The initial borrowing base remained unchanged. The next scheduled redetermination is May 1, 2018. Gulf Pine has the ability to request two additional redeterminations each year, at its sole election.

Interest on borrowings under the Senior Secured Credit Facility is determined by reference to the London Interbank Offered Rate ("LIBOR") plus a margin that ranges from 2.50% to 3.50%. Gulf Pine pays a commitment fee of 0.50% on the undrawn portion of the borrowing base. For the twelve months ended December 31, 2017, the effective interest rate, excluding commitment and other fees, was 4.49%.

The covenants under the credit facility include covenants which relate to leverage ratio (Debt / Earnings before Interest, Taxes, Depreciation, Depletion, Amortization and Exploration Expenses "EBITDAX"), interest coverage ratio (EBITDAX / Cash Interest) and current ratio (Current Assets / Current Liabilities). Gulf Pine was granted relief for general and administrative expenses from the EBITDAX calculation for the test periods of December 31, 2017 and March 31, 2018. The last compliance covenant test period was December 31, 2017 and will be completed by April 30, 2018. Gulf Pine is in compliance with all financial covenants.

11. Accounts Receivable

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Accrued receivables	$ 995	$ 47
Accounts receivable – joint venture	397	127
Total accounts receivable	**$ 1,392**	**$ 174**

Gulf Pine had no provision for doubtful accounts as at December 31, 2017 or December 31, 2016. During the year ended December 31, 2017, three third party purchasers each marketed more than 10% of the Company's oil and natural gas revenue.

12. Accounts Payable

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Accrued payables	$ 2,869	$ 1,146
Accounts payables – trade	7,402	563
Total accounts payable	**$ 10,271**	**$ 1,709**

13. Commodity Derivative Contracts

Gulf Pine utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps. The derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. Gulf Pine does not apply hedge accounting to its commodity derivative contracts; accordingly, changes in the fair value of these instruments are recognized in the Consolidated Statements of Operations and Comprehensive Loss in the period of change.

On February 10, 2017, Gulf Pine unwound the December 22, 2016 Put Option of 5,000 MMBtu/d for calendar 2017 for cash proceeds of $0.2 million.

Gulf Pine had the following commodity derivative contracts in place as at December 31, 2017:

Natural Gas	Volume	Pricing
Fixed Price Swap		
January 1, 2018 – December 31, 2018	4,600 MMBtu/d	NYMEX – HH $3.025/MMBtu
January 1, 2019 – December 31, 2019	3,900 MMBtu/d	NYMEX – HH $2.840/MMBtu

Crude Oil	Volume	Pricing
Fixed Price Swap		
January 1, 2018 – December 31, 2018	60 Bbl/d	WTI $55.25/Bbl
January 1, 2019 – December 31, 2019	50 Bbl/d	WTI $55.25/Bbl

14. Foreign Exchange

The below table reconciles the realized and unrealized foreign exchange (gain) / loss recorded on the Consolidated Statement of Operations:

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Realized	$ (137)	$ (111)
Unrealized	110	83
Foreign exchange (gain) / loss	**$ (27)**	**$ (28)**

15. Supplemental Cash Flow Information

In 2017, Gulf Pine paid $0.5 million in cash interest and no cash taxes. No cash interest or cash taxes were paid in 2016.

The changes in Non-Cash Working Capital are presented below:

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Source (use) of cash:		
Accounts receivable	$ (1,218)	$ 74
Deposits and prepaid expenses	3,128	(3,237)
Accounts payables	8,562	(2,439)
	$ 10,472	**$ (5,602)**
Related to:		
Operating activities	$ 1,276	$ 1,276
Investing activities	9,196	(6,878)
	$ 10,472	**$ (5,602)**

16. Fair Value Measures

Proved Oil and Gas Properties - are evaluated for impairment and reduced to fair value when there is an indication that the carrying costs exceed the sum of the undiscounted cash flows. Depending on the availability of data, the Company uses Level 3 inputs and either the income valuation technique, which converts future amounts to a single present value amount, to measure the fair value of proved properties through an application of risk-adjusted discount rates and price forecasts selected by the Company's management, or the market valuation approach. The calculation of the risk-adjusted discount rate is a significant management estimate based on the best information available. Management believes that the risk-adjusted discount rate is representative of current market conditions and reflects the following factors: estimates of future cash payments, expectations of possible variations in the amount and/or timing of cash flows, the risk premium and non-performance risk. The price forecast is based on the Company's internal budgeting model derived from the forward strip pricing, adjusted for management estimates and basis differentials. Future operating costs are also adjusted as deemed appropriate for these estimates. Proved properties classified as held for sale are valued using a market approach, based on an estimated selling price, as evidenced by the most current bid prices received from third parties. If a relevant estimated selling price is not available, the Company utilizes the income valuation technique discussed above. The Company impaired the Black Warrior Basin operated area which had a carrying value of $45.9 million to its fair value and recognized an impairment of $43.8 million for the year ended December 31, 2017. There was no impairment recorded in 2016. For additional disclosures on impairments, refer to Note 8 - Impairments.

Unproved Oil and Gas Properties - are evaluated for impairment and reduced to fair value when there is an indication that the carrying costs may not be fully recoverable. To measure the fair value of unproved properties, the Company uses Level 3 inputs and the income valuation technique, which takes into account the following significant assumptions: future development plans, risk weighted potential resource recovery, remaining lease life and estimated reserve values. Unproved properties classified as held for sale are valued using a market approach, based on an estimated selling price, as evidenced by the most current bid prices received from third parties. If a relevant estimated selling price is not available, the Company uses the price received for similar acreage in recent transactions by the Company or other market participants in the principal market. There was no impairment to unproved properties during 2017 or 2016.

Financial Instruments – presented below are the Company's financial instruments that were accounted for at fair value as of December 31, 2017 and 2016 and their classification within the fair value hierarchy:

As at December 31, 2017	**Level 1**	**Level 2**	**Level 3**
Current Assets / (Liabilities)			
Gas derivative contracts	$ -	$ 330	$ -
	$ -	**$ 330**	**$ -**
Oil derivative contracts	-	(88)	-
	$ -	**$ (88)**	**$ -**
Current Assets / (Liabilities) total	**$ -**	**$ 242**	**$ -**
Long-term Assets / (Liabilities)			
Gas derivative contracts	-	117	-
Oil derivative contracts	-	2	-
	$ -	**$ 119**	**$ -**
Gas derivative contracts	**-**	(80)	-
Oil derivative contracts	-	(13)	-
	$ -	**$ (93)**	**$ -**
Long-term Assets / (Liabilities) total	**$ -**	**$ 268**	**$ -**

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**
Current Assets			
Gas derivative contracts	-	158	-
Current Assets total	**$ -**	**$ 158**	**$ -**

Below is a reconciliation of the gain on derivates from the Consolidated Statements of Operations and Comprehensive Loss:

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Realized (gain) on derivatives		
(Gain) from unwound derivative contract	$ (72)	$ -
(Gain) from active derivative contracts	(604)	-
	(676)	-
Unrealized (gain) / loss on derivatives	(268)	138
(Gain) / loss on derivatives	**$ (944)**	**$ 138**

Asset Retirement Obligation - the Company utilizes the income valuation technique to determine the fair value of the asset retirement obligation liability at the point of inception by applying a credit-adjusted risk-free rate, which takes into account the Company's credit risk, the time value of money, and the current economic state, to the undiscounted expected abandonment cash flows. Upon completion of wells and natural gas plants, the Company records an asset retirement obligation at fair value using Level 3 assumptions. Given the unobservable nature of the inputs, the initial measurement of the asset retirement obligation liability is deemed to use Level 3 inputs. The Company had no asset retirement obligations measured at fair value as at December 31, 2017 or December 31, 2016.

17. Commitments and Contingencies

At December 31, 2017, total minimum commitments from long-term non-cancelable operating leases were as follows:

	Total	2018	2019	2020	2021 and after
Office space leases	1,540	393	393	393	361
Total	**$ 1,540**	**$ 393**	**$ 393**	**$ 393**	**$ 361**

The office space commitment is for the Calgary office.

18. Subsequent Events

Hedging update

On January 25, 2018, Gulf Pine entered into the following derivative contract:

Crude Oil	Volume	Pricing
Fixed Price Swap		
February 1, 2018 – December 31, 2018	40 Bbl/d	WTI $63.60/Bbl

Condensed Consolidated Interim Financial Statements

GULF PINE ENERGY PARTNERS, LP

For the three and nine months ended and as at September 30, 2018

(unaudited)

(U.S. Dollars)

GULF PINE ENERGY PARTNERS, LP

Condensed Consolidated Interim Balance Sheet

(unaudited)

($000s)	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 2,293	$ 4,784
Trade and other receivables	1,454	1,392
Prepaid expenses and deposits	225	381
Derivative assets (Note 10)	90	330
	4,062	6,887
Oil and gas properties (Note 6)	124,140	123,823
Other property, plant and equipment (Note 6)	462	456
	124,602	124,279
Less accumulated depletion, depreciation and amortization (Note 6)	(71,691)	(65,523)
Net property, plant and equipment	52,911	58,756
Derivative assets (Note 10)	74	119
Total assets	$ 57,047	$ 65,762
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	4,772	10,271
Derivative liabilities (Note 10)	285	88
Bank loan (Note 8)	2,500	-
	7,557	10,359
Long-term Liabilities		
Derivative liabilities (Note 10)	85	93
Bank loan (Note 8)	13,500	16,000
Asset retirement obligations (Note 7)	2,427	2,325
	23,569	28,777
Commitments and contingencies (Note 12)		
Unitholders' equity		
Unitholders' capital - $1.00 par, 152,000,000 units authorized, 119,809,568 units issued at December 31, 2017 and 121,009,568 units issued at September 30, 2018	121,010	119,810
Paid-in capital	451	445
Deficit	(87,983)	(83,270)
	33,478	36,985
Total liabilities and unitholders' equity	$ 57,047	$ 65,762

(See accompanying Notes to the Consolidated Financial Statements)

Gulf Pine ENERGY

GULF PINE ENERGY PARTNERS, LP

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss (unaudited)

($000s)	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Revenues				
Oil and natural gas sales (Note 11)	$ 3,307	$ 3,040	$10,330	$ 8,846
Expenses				
Operating	1,263	1,586	4,025	4,247
Production taxes	198	189	612	539
Exploration	1	359	(16)	1,174
Depletion, depreciation, amortization and accretion (Note 6)	2,030	1,889	6,270	5,645
(Gain) / loss on derivatives (Note 10)	(39)	227	533	(689)
Interest	220	156	649	406
General and administrative	874	958	2,793	2,822
Stock based compensation	2	4	6	14
Transaction costs	137	29	137	840
Foreign exchange (gain) / loss, net	3	(29)	34	(14)
	$ 4,689	$ 5,368	$15,043	$14,984
Net Loss and Comprehensive Loss	$(1,382)	$(2,328)	$(4,713)	$(6,138)

(See accompanying Notes to the Consolidated Financial Statements)

GULF PINE ENERGY PARTNERS, LP

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(unaudited)

	Units	Unitholders' capital	Paid-in capital	Retained Earnings	Unitholders' equity
($000s, except unit amounts)					
Balance, December 31, 2016	94,609,568	94,610	426	(28,395)	66,641
Units Issued	23,200,000	23,200	-	-	23,200
Share Based Compensation	-	-	14	-	14
Net Loss	-	-	-	(6,138)	(6,138)
Balance, September 30, 2017	117,809,568	$ 117,810	$ 440	$ (34,533)	$ 83,717
Balance, December 31, 2017	119,809,568	119,810	445	(83,270)	36,985
Units Issued	1,200,000	1,200	-	-	1,200
Share Based Compensation	-	-	6	-	6
Net Loss	-	-	-	(4,713)	(4,713)
Balance, September 30, 2018	121,009,568	$ 121,010	$ 451	$ (87,983)	$ 33,478

(See accompanying Notes to the Consolidated Financial Statements)

GULF PINE ENERGY PARTNERS, LP
Condensed Consolidated Interim Statement of Cash Flows
(unaudited)

($000s)	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Operating activities				
Net Loss	$ (1,382)	$ (2,328)	$ (4,713)	$ (6,138)
Proceeds from unwound derivative	-	-	-	230
Changes in non-cash items:				
Depletion, depreciation and amortization (Note 6)	2,030	1,889	6,270	5,645
Stock Based Compensation	2	4	6	14
(Gain) / loss on unwound derivative (Note 10)	-	-	-	(72)
Unrealized (gain) / loss on derivatives (Note 10)	(88)	427	474	(185)
Increase (decrease) in working capital	329	550	773	1,611
Net cash used in operating activities	891	542	2,810	1,105
Investing activities				
Capital expenditures	(36)	(5,914)	(422)	(9,360)
Acquisitions	4	(49)	99	(31,670)
Changes in non-cash working capital	(170)	2,704	(6,178)	7,656
Net cash used in investing activities	(202)	(3,259)	(6,501)	(33,374)
Financing activities				
Bank loan (Note 8)	-	(3,000)	-	10,000
Unitholders capital	-	5,000	1,200	23,200
Net cash provided by financing activities	-	2,000	1,200	33,200
Net increase (decrease) in cash and cash equivalents	689	(717)	(2,491)	931
Cash and cash equivalents, beginning of period	1,604	2,871	4,784	1,223
Cash and cash equivalents, end of period	$ 2,293	$ 2,154	$ 2,293	$ 2,154

(See accompanying Notes to the Consolidated Financial Statements)

1. Reporting Entity

Gulf Pine Energy Partners, LP ("Gulf Pine") is an exploration and production company focused on developing light oil and natural gas resources in the U.S. Gulf Coast region. Gulf Pine's operations are primarily focused in Mississippi and Alabama. Our goal is to identify assets with large oil & natural gas in place and low recovery or limited exploitation and apply management's extensive operational experience in horizontal drilling and completion technology to help capture these resources. Gulf Pine's head office is located in Calgary, Alberta, Canada. The financial statements were authorized for issue by management on December 14, 2018.

2. Significant Accounting Policies

a) Principles of Reporting and Consolidation

The consolidated financial statements of Gulf Pine include the accounts of all domestic and foreign subsidiaries. Undivided interests in oil and gas joint ventures are consolidated on a proportionate basis. All intercompany balances and transactions have been eliminated.

Gulf Pine's condensed consolidated interim financial statements present its results of operations and financial position in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for the three and nine months ended September 30, 2018 and the 2017 comparative periods. Certain information and notes normally included with the annual audited Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim Condensed Consolidated Financial Statements should be read in conjunction with Gulf Pine's audited Consolidated Financial Statements as of December 31, 2017. There are no differences in the use of estimates or judgments between these interim Condensed Consolidated Financial Statements and the audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2017.

These Consolidated Financial Statements are presented in US dollars which is Gulf Pine's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand unless otherwise indicated.

3. Accounting Policy Changes

Recently Adopted Accounting standards
In January 2016, the FASB issued Update No. 2016-01 - Financial Instruments - Overall to require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. This authoritative guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company has evaluated the provisions of this guidance in relation to the Company's financial assets and liabilities. The Company adopted the ASU using the modified retrospective approach, no adjustment to the Company's financial statements or disclosures was required.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". The ASU creates a single source of revenue guidance for all companies in all industries and requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers - Deferral of the Effective Date". The ASU defers the effective date of the new revenue recognition model by one year. As a result, the guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Gulf Pine adopted ASU 2014-09 on January 1, 2018. See Note 11 for further discussion regarding Gulf Pine's adoption of the revenue recognition standard.

Future Accounting Changes

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The pronouncement requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. Gulf Pine does not intend to early adopt the standard. Gulf Pine is currently assessing the impact the adoption of ASU 2016-02 will have on the financial position and results of its operations.

4. Asset Acquisition

On February 1, 2017, Gulf Pine acquired approximately 26,000 net acres of held by production land and oil and gas properties, leasehold mineral interests and related assets located in Central Mississippi for $31.4 million. The Central Mississippi acquisition had an effective date of January 1, 2017 and closed on February 1, 2017. The transaction was accounted for as an asset acquisition in accordance with ASU 2017-01. Therefore, the acquired interests were recorded based upon the cash consideration paid.

5. Exploratory Well Costs

Gulf Pine's net changes in capitalized exploratory well costs are presented below:

	As at Sep 30, 2018	As at Dec 31, 2017
Balance, beginning of period	$ 2,610	$ 8,595
Additions pending the determination of proved reserves	(3)	8,463
Reclassification to proved properties	-	(14,448)
Balance, end of period	**$ 2,607**	**$ 2,610**

a) Exploration Well Costs

There were no changes to the exploratory well costs during the nine months ended September 30, 2018.

During the twelve months ended December 31, 2017, Gulf Pine incurred $8.5 million of exploratory well costs that were pending the determination of reserves in 2017. The exploratory wells costs included the drilling of the 2.0 gross (2.0 net before payout) operated wells in the Mechanicsburg field and preliminary expenditures for future drills. These two wells have both been rig released and are currently on production.

6. Property Plant and Equipment ("PP&E")

The following table presents the reconciliation of the beginning and ending amounts of our PP&E balances including accumulated depletion, depreciation, amortization and impairment:

As at September 30, 2018	**Cost**	**Accumulated Depletion, Depreciation, Amortization and Impairment**	**Net Book Value**
Oil and natural gas properties			
Unproved properties	$ 19,602	$ (13,754)	$ 5,848
Proved properties	101,931	(57,715)	44,216
Pending reserve determination (Note 5)	2,607	-	2,607
Total oil and natural gas properties	124,140	(71,469)	52,671
Other capital assets	462	(222)	240
Total PP&E	**$ 124,602**	**$ (71,691)**	**$ 52,911**

As at December 31, 2017	**Cost**	**Accumulated Depletion, Depreciation, Amortization and Impairment**	**Net Book Value**
Oil and natural gas properties			
Unproved properties	$ 19,545	$ (10,705)	$ 8,840
Proved properties	101,668	(54,649)	47,019
Pending reserve determination (Note 5)	2,610	-	2,610
Total oil and natural gas properties	123,823	(65,354)	58,469
Other capital assets	456	(169)	287
Total PP&E	**$ 124,279**	**$ (65,523)**	**$ 58,756**

7. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of legal obligations associated with the retirement of property, plant and equipment:

	As at Sep 30, 2018	As at Dec 31, 2017
Balance, beginning of period	$ 2,325	$ 94
Liabilities incurred and acquired	-	2,114
Accretion	102	117
Balance, end of period	**$ 2,427**	**$ 2,325**
Long term liability	**$ 2,427**	**$ 2,325**

8. Credit Facility

Gulf Pine had the following current and long-term debt obligations outstanding as at the dates indicated:

	As at Sep 30, 2018	As at Dec 31, 2017
Current Portion Senior Secured Bank Credit Facility	$ 2,500	$ -
Long-term Portion Senior Secured Bank Credit Facility	13,500	16,000
Total Credit Facility	**$ 16,000**	**$ 16,000**

In January 2017, Gulf Pine entered into an agreement to borrow up to $150 million via a Senior Secured Credit Facility with Texas Capital Bank. The credit facility is secured against the Oil and Gas properties of Gulf Pine. The initial borrowing base is $20 million with a maturity date of February 1, 2021. The borrowing base for the Senior Secured Credit Facility is reviewed semi-annually. Gulf Pine completed the fall borrowing base redetermination which resulted in a decrease of the initial borrowing base from $20 million down to $16 million, effective for October 1, 2018. Additionally, as part of the transaction announced on November 11, 2018 (Note 13), Gulf Pine as agreed to pay down the credit facility to $13.5 million in December 2018. The next scheduled borrowing base review will be completed in April 2019. Gulf Pine has the ability to request two additional redeterminations each year, at its sole election.

Interest on borrowings under the Senior Secured Credit Facility is determined by reference to the London Interbank Offered Rate ("LIBOR") plus a margin that ranges from 2.50% to 3.50%. Gulf Pine pays a commitment fee of 0.50% on the undrawn borrowing base. For the nine months ended September 30, 2018, the effective interest rate, excluding commitment and other fees, was 5.25% (September 30, 2017 – 4.32%).

The covenants under the credit facility include covenants which relate to leverage ratio (Debt / Earnings before Interest, Taxes, Depreciation, Depletion, Amortization and Exploration Expenses "EBITDAX"), interest coverage ratio (EBITDAX / Cash Interest) and current ratio (Current Assets / Current Liabilities). Gulf Pine was granted relief for general and administrative expenses from the EBITDAX calculation for the test periods of December 31, 2017. As at September 30, 2018, Gulf Pine was not in compliance with the leverage or current ratio. Gulf Pine has obtained written waivers from Texas Capital Bank for both quarters of non-compliance.

9. Commodity Derivative Contracts

Gulf Pine had the following commodity derivative contracts in place as at September 30, 2018:

Natural Gas	Volume	Pricing
Fixed Price Swap		
October 1, 2018 – December 31, 2018	4,600 MMBtu/d	NYMEX – HH $3.025/MMBtu
January 1, 2019 – December 31, 2019	3,900 MMBtu/d	NYMEX – HH $2.840/MMBtu
January 1, 2020 – December 31, 2020	1,000 MMBtu/d	NYMEX – HH $2.600/MMBtu

Crude Oil	Volume	Pricing
Fixed Price Swap		
October 1, 2018 – December 31, 2018	60 Bbl/d	WTI $55.25/Bbl
October 1, 2018 – December 31, 2018	40 Bbl/d	WTI $63.60/Bbl
January 1, 2019 – December 31, 2019	50 Bbl/d	WTI $55.25/Bbl

10. Fair Value Measures

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. The fair value of an asset should reflect its highest and best use by market participants, whether in-use or an in-exchange valuation premise. The fair value of a liability should reflect the risk of non-performance, which includes, among other things, our credit risk.

The company uses various methods, including the income approach and market approach, to determine the fair values of our financial instruments that are measured at fair value on a recurring basis, which depend on a number of factors, including the availability of observable market data over the contractual term of the underlying instrument. For some of our instruments, the fair value is calculated based on directly observable market data or data available for similar instruments in similar markets. For other instruments, the fair value may be calculated based on these inputs as well as other assumptions related to estimates of future settlements of these instruments. Financial instruments are separated into three levels (levels 1, 2 and 3) based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the fair value of our instruments. The assessment of an instrument can change over time based on the maturity or liquidity of the instrument, which could result in a change in the classification of the instruments between levels.

Each of these levels and our corresponding instruments classified by level are further described below:

- Level 1 Inputs— unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Inputs—quotes which are derived principally from or corroborated by observable market data.
- Level 3 Inputs—unobservable inputs for the asset or liability, such as discounted cash flow models or valuations, based on various assumptions and future commodity prices.

Financial Instruments – presented below are the Company's financial instruments that were accounted for at fair value as of September 30, 2018 and December 31, 2017 and their classification within the fair value hierarchy:

As at September 30, 2018	**Level 1**	**Level 2**	**Level 3**
Current Assets / (Liabilities)			
Gas derivative contracts	$ -	$ 90	$ -
	$ -	**$ 90**	**$ -**
Gas derivative contracts	-	(86)	-
Oil derivative contracts	-	(199)	-
	$ -	**$ (285)**	**$ -**
Current Assets / (Liabilities) total	**$ -**	**$ (195)**	**$ -**
Long-term Assets / (Liabilities)			
Gas derivative contracts	-	74	-
	$ -	**$ 74**	**$ -**
Gas derivative contracts	**-**	(6)	-
Oil derivative contracts	-	(79)	-
	$ -	**$ (85)**	**$ -**
Long-term Assets / (Liabilities) total	**$ -**	**$ (11)**	**$ -**

As at December 31, 2017	**Level 1**	**Level 2**	**Level 3**
Current Assets / (Liabilities)			
Gas derivative contracts	$ -	$ 330	$ -
	$ -	**$ 330**	**$ -**
Oil derivative contracts	-	(88)	-
	$ -	**$ (88)**	**$ -**
Current Assets / (Liabilities) total	**$ -**	**$ 242**	**$ -**

Long-term Assets / (Liabilities)			
Gas derivative contracts	-	117	-
Oil derivative contracts	-	2	-
	$ -	**$ 119**	**$ -**
Gas derivative contracts	-	(80)	-
Oil derivative contracts	-	(13)	-
	$ -	**$ (93)**	**$ -**
Long-term Assets / (Liabilities) total	**$ -**	**$ 26**	**$ -**

Below is a reconciliation of the gain on derivatives from the Consolidated Statements of Operations and Comprehensive Loss:

	Three months ended September 30		**Nine months ended September 30**	
	2018	**2017**	**2018**	**2017**
Realized (gain) / loss on derivatives				
(Gain) from unwound derivative contract	$ -	$ -	$ -	$ (72)
(Gain) / loss from active derivative contracts	49	(200)	59	(432)
	49	(200)	59	(504)
Unrealized (gain) / loss on derivatives	(88)	427	474	(185)
(Gain) / loss on derivatives	**$ (39)**	**$ 227**	**$ 533**	**$ (689)**

11. Oil and Natural Gas Sales

Gulf Pine sells its production pursuant to variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for the quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contract, Gulf Pine is required to deliver a fixed or variable volume of crude oil, natural gas liquids or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price. Revenues are typically collected in the month following production.

The following table presents Gulf Pine's oil and natural gas sales disaggregated by revenue source:

	Three months ended September 30		**Nine months ended September 30**	
	2018	**2017**	**2018**	**2017**
Commodity sales from production, by product				
Crude oil	$ 1,135	$ 776	$ 3,415	$ 2,337
Natural gas liquids	131	81	426	299
Natural gas	2,041	2,183	6,489	6,210
Total Oil and Natural Gas Sales	**$ 3,307**	**$ 3,040**	**$ 10,330**	**$ 8,846**

12. Commitments and Contingencies

At September 30, 2018, total minimum commitments from long-term non-cancelable operating leases were as follows:

	Total	2018	2019	2020	2021 and after
Office space leases	1,115	88	352	352	323
Total	**$ 1,115**	**$ 88**	**$ 352**	**$ 352**	**$ 323**

The office space commitment is for the Calgary office.

13. Subsequent Events

On November 11, 2018 Gulf Pine entered into a definitive agreement, pursuant to which Standard Exploration Ltd., a publicly traded Canadian company on the TSX Venture Exchange will acquire all of the limited partnership units of Gulf Pine Energy Partners, LP for cash consideration of USD$3,425,000, including net debt. The Transaction is subject to customary closing conditions, including the approval of the TSXV.

SCHEDULE “D”

Management's Discussion and Analysis of Gulf Pine

Management's Discussion and Analysis of

GULF PINE ENERGY PARTNERS, LP

For the years ended December 31, 2017 and 2016

(U.S. Dollars)

The following Management's Discussion and Analysis ("MD&A") of financial results as provided by the management of Gulf Pine Energy Partners, LP ("Gulf Pine" or the "Company") should be read in conjunction with the Company's audited financial statements for the years ended December 31, 2017 and 2016. These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Unless otherwise indicated, in this MD&A all references to "dollar" or the use of the symbol "$" are to the United States Dollar. This commentary is based on information available as at April 11, 2018.

READER ADVISORIES

Disclosure Regarding Forward-Looking Statements
Certain statements and information contained within this MD&A, and in certain documents incorporated by reference into this document, constitute forward-looking statements. These statements include, without limitation, statements regarding the status of development or expenditures relating to our business, plans to fund our current activities, future operations, future oil and natural gas production estimates and weighting, future financial position, future revenues and projected costs. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "estimate", "potential", "could", or the negative of such terms or other comparable terminology. We made a number of assumptions in the preparation of these forward-looking statements. You should not place undue reliance on our forward-looking statements, which are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, commodity price, interest rate and exchange rate volatility, the need for additional capital and the effect of capital market conditions and other factors, risks relating to the oil and gas industry, such as operational risks and market demand, government regulation, the potential dilutive effects of any financing, the timing of exploration and development, the timing and costs of obtaining regulatory approvals, our estimates regarding our capital requirements and future revenues, the timing and amount of tax credits, and other risks detailed from time to time in our public disclosure documents.
The forward-looking statements are made as of the date hereof, and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Summary

Gulf Pine Energy Partners, LP ("Gulf Pine") is an exploration and production company focused on developing light oil and natural gas resources in the U.S. Gulf Coast region. Gulf Pine's operations are primarily focused in Mississippi and Alabama. Our goal is to identify assets with large oil & natural gas in place and low recovery or limited exploitation and apply management's extensive operational experience in horizontal drilling and completion technology to help capture these resources. Gulf Pine's head office is located in Calgary, Alberta, Canada.

Gulf Pine was incorporated on November 12, 2014 in the state of Delaware. Gulf Pine purchased oil and gas assets in Mississippi and Alabama on December 29, 2014 for $47.5 million.

Asset Acquisition

On February 1, 2017, Gulf Pine acquired approximately 26,000 net acres of held by production land and oil and gas properties, leasehold mineral interests and related assets located in Central Mississippi for $31.4 million. The Central Mississippi acquisition ("CMS acquisition") had an effective date of January 1, 2017 and closed on February 1, 2017.

Financial Summary

	Year ended December 31,		
($000s) except units outstanding	**2017**	**2016**	**2015**
Oil and natural gas sales	$ 11,917	$ 1,707	$ 968
Net loss and Comprehensive loss	(54,875)	(12,096)	(13,539)
Net loss and Comprehensive loss per unit	(0.48)	(0.14)	(0.21)
EBITDAX (1)	1,345	(3,558)	(3,458)
Total assets	65,762	68,444	66,620
Total non-curent financial liabilities	16,000	-	-
Capital expenditures, net	$ 47,833	$ 13,267	$ 12,674
Units outstanding – end of period	119,809,568	94,609,568	78,377,568
Loss per unit, basic & diluted	$ (0.48)	$ (0.14)	$ (0.21)

(1) See Non-GAAP Measures section

Production and pricing summary

	Three months ended December 31	
	2017	**2016**
Daily production		
Oil and NGLs (bbl/d)	218	69
Natural gas (Mcf/d)	7,431	125
Combined (Mcfe/d)	**8,739**	**539**
Realized commodity prices ($USD)		
Oil and NGLs (bbl)	$ 53.05	$ 39.74
Natural gas (Mcf)	2.93	3.46
Combined (Mcfe)	**$ 3.82**	**$ 6.07**

	Year ended December 31	
	2017	**2016**
Daily production		
Oil and NGLs (bbl/d)	225	127
Natural gas (Mcf/d)	7,462	77
Combined (Mcfe/d)	**8,812**	**839**
Realized commodity prices ($USD)		
Oil and NGLs (bbl)	$ 45.16	$ 35.22
Natural gas (Mcf)	3.02	2.65
Combined (Mcfe)	**$ 3.71**	**$ 5.56**

Net loss and comprehensive loss

($000s)	Three months ended December 31 2017	2016
Oil and natural gas sales	$ 3,071	$ 301
Operating expenses	(1,401)	(458)
Production taxes	(184)	(13)
General and administrative expenses	(1,214)	(1,517)
Transaction costs	(1)	(130)
Realized (gain) / loss on derivatives	172	-
EBITDAX (1)	**443**	**(1,817)**
Interest Expense	(179)	-
Unrealized (gain) / loss on derivatives	83	(138)
Exploration expenses	(49)	(210)
Stock based compensation	(5)	(21)
Foreign exchange (gain) / loss, net	13	(19)
Depletion, depreciation, amortization and accretion	(5,243)	(1,460)
Impairment	(43,800)	-
Net Loss and Comprehensive Loss	**$ (48,737)**	**$ (3,665)**

(1) See Non-GAAP Measures section

($000s)	Year ended December 31 2017	2016
Oil and natural gas sales	$ 11,917	$ 1,707
Operating expenses	(5,648)	(999)
Production taxes	(723)	(51)
General and administrative expenses	(4,036)	(4,085)
Transaction costs	(841)	(130)
Realized (gain) / loss on derivatives	676	-
EBITDAX (1)	**1,345**	**(3,558)**
Interest Expense	(585)	-
Unrealized (gain) / loss on derivatives	268	(138)
Exploration expenses	(1,223)	(2,467)
Stock based compensation	(19)	(85)
Foreign exchange (gain) / loss, net	27	28
Depletion, depreciation, amortization and accretion	(10,888)	(5,876)
Impairment	(43,800)	-
Net Loss and Comprehensive Loss	**$ (54,875)**	**$ (12,096)**

(1) See Non-GAAP Measures section

Eight Quarter Analysis

Daily Production and Commodity Prices

Three months ended	**2017 December 31**	**2017 September 30**	**2017 June 30**	**2017 March 31**	**2016 December 31**	**2016 September 30**	**2016 June 30**	**2016 March 31**
Daily production								
Oil and NGLs (bbl/d)	**218**	**216**	**233**	**230**	**69**	**106**	**235**	**97**
Natural gas (Mcf/d)	**7,431**	**7,888**	**8,667**	**5,841**	**125**	**61**	**57**	**66**
Combined (Mcfe/d)	**8,739**	**9,184**	**10,065**	**7,221**	**539**	**697**	**1,467**	**648**
Realized commodity prices ($USD)								
Oil and NGLs (bbl)	**$53.05**	**$43.04**	**$41.49**	**$43.30**	**$39.74**	**$35.69**	**$36.95**	**$21.57**
Natural gas (Mcf)	**$2.93**	**$3.01**	**$3.15**	**$2.94**	**$3.46**	**$3.31**	**$2.51**	**$2.81**
Combined (Mcfe)	**$3.82**	**$3.60**	**$3.67**	**$3.76**	**$6.07**	**$5.83**	**$6.14**	**$3.61**

Summary of Operating Results

Three months ended	**2017 December 31**	**2017 September 30**	**2017 June 30**	**2017 March 31**	**2016 December 31**	**2016 September 30**	**2016 June 30**	**2016 March 31**
Revenue	$ 3,071	$ 3,040	$ 3,361	$ 2,445	$ 301	$ 374	$ 819	$ 213
Operating	(1,401)	(1,586)	(1,619)	(1,042)	(458)	(249)	(195)	(97)
Production taxes	(184)	(189)	(211)	(139)	(13)	(12)	(18)	(8)
Field netback (1)	**1,486**	**1,265**	**1,531**	**1,264**	**(170)**	**113**	**606**	**108**
Realized gain/(loss) on derivatives	172	200	99	205	-	-	-	-
Operating netback(1)	**1,658**	**1,465**	**1,630**	**1,469**	**(170)**	**113**	**606**	**108**
Net loss	**(48,737)**	**(2,328)**	**(1,356)**	**(2,454)**	**(3,665)**	**(2,956)**	**(3,496)**	**(1,979)**
Capital expenditures, net	$ 6,803	$ 5,963	$ 2,123	$ 32,944	$ 332	$ 2,052	$ 861	$ 10,022

Three months ended	**2017 December 31**	**2017 September 30**	**2017 June 30**	**2017 March 31**	**2016 December 31**	**2016 September 30**	**2016 June 30**	**2016 March 31**
($/Mcfe)								
Revenue	$3.82	$3.60	$3.67	$3.76	$6.07	$5.83	$6.14	$3.61
Operating	(1.74)	(1.88)	(1.77)	(1.60)	(9.24)	(3.88)	(1.46)	(1.64)
Production taxes	(0.23)	(0.22)	(0.23)	(0.21)	(0.26)	(0.19)	(0.13)	(0.14)
Field netback (1)	**1.85**	**1.50**	**1.67**	**1.95**	**(3.43)**	**1.76**	**4.55**	**1.83**
Realized gain/(loss) on derivatives	0.21	0.24	0.11	0.32	-	-	-	-
Operating netback(1)	**2.06**	**1.74**	**1.78**	**2.27**	**(3.43)**	**1.76**	**4.55**	**1.83**
Net loss per unit	**$(0.41)**	**$(0.02)**	**$(0.01)**	**$(0.02)**	**$(0.04)**	**$(0.03)**	**$(0.04)**	**$(0.02)**

(1) See Non-GAAP Measures section

Oil and Natural Gas Revenues

For the three months ended December 31, 2017, total revenue increased by 920% as compared to the same period last year, as average daily production increased by over 1,500%. The increase is attributed to the CMS acquisition that closed on February 1, 2017.

Three months ended December 31,	**2017**	**2016**
Oil and NGLs	$ 1,066	$ 265
Natural gas	2,005	36
Total Revenue	$ 3,071	$ 301
% Natural gas	65%	12%

For the year ended December 31, 2017, total revenue increased 598% as compared to the same period last year, as average daily production increased by 950%. The increase is attributed to the CMS acquisition that closed on February 1, 2017.

Year ended December 31,	**2017**	**2016**
Oil and NGLs	$ 3,702	$ 1,632
Natural gas	8,215	75
Total Revenue	$ 11,917	$ 1,707
% Natural gas	69%	4%

Production and Operating Expenses

For the three months ended December 31, 2017, operating and production expenses increased by 237% compared to the same period a year ago. The increase is directly attributed to the CMS acquisition that closed on February 1, 2017. On a per unit basis, operating and production expenses decreased $7.53/Mcfe for the three months ended December 31, 2017 to $1.97/Mcfe compared to $9.5/Mcfe for the same period a year ago 2016.

Three months ended December 31,	**2017**	**2016**
Operating	$ 1,401	$ 458
Production	184	13
Total	**$ 1,585**	**$ 471**

For the year ended December 31, 2017, operating and production expenses increased by 507% to compared to the same period a year ago. On a per unit basis, operating and production expenses decreased $1.44/Mcfe in 2017 to $1.98/Mcfe compared to $3.42/Mcfe in 2016.

Year ended December 31,	**2017**	**2016**
Operating	$ 5,648	$ 999
Production	723	51
Total	**$ 6,371**	**$ 1,050**

General & Administrative and Transaction Expenses

General and administrative expenses, decreased by 26% for the three months ended December 31, 2017 compared to Q4 2016. Transaction costs were incurred as part of the CMS acquisition.

Three months ended December 31,	**2017**	**2016**
General and administrative	$ 1,214	$ 1,517
Transaction costs	1	130
Total	**$ 1,215**	**$ 1,647**

General and administrative expenses, increased by 16% for the year ended December 31, 2017 compared to 2016. The increase was directly attributed to transaction costs that were incurred as part of the CMS acquisition.

Year ended December 31,	**2017**	**2016**
General and administrative	$ 4,036	$ 4,085
Transaction costs	841	130
Total	**$ 4,877**	**$ 4,215**

Depletion and Depreciation

For the year ended December 31, 2017, depletion, depreciation, amortization and accretion increased by 85% compared to 2016 as a result of the increased production from the CMS acquisition.

Year ended December 31,	**2017**	**2016**
Depletion, deprecation, amortization and accretion	$ 10,888	$ 5,876

Impairment

In the fourth quarter of 2017, Gulf Pine recorded impairment expenses of $43.8 million related to proved properties. The impairment of the proved properties was attributed to multiple fields within the Black Warrior Basin operated field. The fair value of the Black Warrior Basin operated field was determined using the reserve report prepared by Netherland, Sewell & Associates, Inc. as at December 31, 2017, adjusted for strip pricing, using a 10% discount factor. There were no probable or possible locations booked to the Black Warrior Basin area due to the capital allocation for Gulf Pine being deployed towards the Central Mississippi assets. The reduced capital allocation was the primary driver for the lower cash flows and subsequent impairment expenses recorded. There were no impairments recorded to unproved properties in 2017.

Year ended December 31,	**2017**	**2016**
Impairment	$ 43,800	$ -

Property plant and equipment (PP&E)

Cost	**PP&E Assets**
Balance at December 31, 2015	$ 61,026
Additions	13,267
Change in asset retirement obligations	39
Balance at December 31, 2016	74,332
Additions	47,833
Change in asset retirement obligations	2,114
Balance at December 31, 2017	$ 124,279
Depletion, depreciation, amortization and impairment	
Balance at December 31, 2015	$ 5,079
Depletion, depreciation and amortization	5,873
Impairment	-
Balance at December 31, 2016	10,952
Depletion, depreciation and amortization	10,771
Impairment	43,800
Balance at December 31, 2017	$ 65,523
Net book value:	
Balance at December 31, 2016	$ 63,380
Balance at December 31, 2017	$ 58,756

On February 1, 2017, Gulf Pine acquired approximately 26,000 net acres of held by production land and oil and gas properties, leasehold mineral interests and related assets located in Central Mississippi. The Company paid approximately $32.3 million (excluding customary acquisition costs) in cash, for the acquired assets.

During the twelve months ended December 31, 2017, Gulf Pine incurred $8.5 million of exploratory well costs that were pending the determination of reserves in 2017. The exploratory wells costs included the drilling of the 2.0 gross (2.0 net before payout) operated wells in the Mechanicsburg field and preliminary expenditures for future drills. These two wells have both been rig released and are currently on production.

During the twelve months ended December 31, 2016, Gulf Pine incurred $12.4 million of exploratory well costs that were pending the determination of reserves in 2016. The exploratory wells costs included the remaining expenditures for the MB 26-1 #1, the drilling of the 2.0 gross (2.0 net before payout) operated wells and preliminary expenditures for future drills. These wells were all rig released in the first quarter.

Credit facility

Gulf Pine had the following long-term debt obligations outstanding as at the dates indicated:

	As at Dec 31, 2017	As at Dec 31, 2016
Senior Secured Bank Credit Facility	$ 16,000	$ -
Long-term liability	**$ 16,000**	**$ -**

In January 2017, Gulf Pine entered into an $150 million Senior Secured Credit Facility with Texas Capital Bank. The credit facility is secured against the Oil and Gas properties of Gulf Pine. The initial borrowing base is $20 million with a maturity date of February 1, 2021. The borrowing base for the Senior Secured Credit Facility is reviewed semi-annually, with the first redetermination on October 1, 2017. The initial borrowing base remained unchanged. The next scheduled redetermination is May 1, 2018. Gulf Pine has the ability to request two additional redeterminations each year, at its sole election.

Interest on borrowings under the Senior Secured Credit Facility is determined by reference to the London Interbank Offered Rate ("LIBOR") plus a margin that ranges from 2.50% to 3.50%. Gulf Pine pays a commitment fee of 0.50% on the undrawn portion of the borrowing base. For the twelve months ended December 31, 2017, the effective interest rate, excluding commitment and other fees, was 4.49%.

The covenants under the credit facility include covenants which relate to leverage ratio (Debt / Earnings before Interest, Taxes, Depreciation, Depletion, Amortization and Exploration Expenses "EBITDAX"), interest coverage ratio (EBITDAX / Cash Interest) and current ratio (Current Assets / Current Liabilities). Gulf Pine is in compliance with all financial covenants.

Supplemental Cash Flow Information

In 2017, Gulf Pine paid $0.5 million in cash interest and no cash taxes. No cash interest or cash taxes were paid in 2016.

The changes in Non-Cash Working Capital are presented below:

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Source (use) of cash:		
Accounts receivable	$ (1,218)	$ 74
Deposits and prepaid expenses	3,128	(3,237)
Accounts payables	8,562	(2,439)
	$ 10,472	**$ (5,602)**
Related to:		
Operating activities	$ 1,276	$ 1,276
Investing activities	9,196	(6,878)
	$ 10,472	**$ (5,602)**

Unitholders' Equity

On November 17, 2014, Gulf Pine entered into the Unit Subscription Agreement between Gulf Pine Energy Partners, LP and the "Investor" group. As part of the agreement, Gulf Pine was extended a Line of Equity of $152.0 million. At December 31, 2017, Gulf Pine had drawn $119,809,568 (December 31, 2016 - $94,609,568) against the Line of Equity.

Unitholders' Capital	Year ended Dec 31, 2017		Year ended Dec 31, 2016	
Authorized unlimited number of Series A units issued:	**Shares**	**Amount**	**Shares**	**Amount**
Balance, beginning of period	94,609,568	$ 94,610	78,377,568	$ 78,378
Issued for cash:				
Series A units	25,200,000	$ 25,200	16,232,000	$ 16,232
Balance, end of period	**119,809,568**	**$ 119,810**	**94,609,568**	**$ 94,610**

Risk Management

The business risks the Company is exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Gulf Pine's operations. Geological and engineering risks, the uncertainty of discovering commercial quantities of new reserves, commodity prices, interest rate and foreign exchange risks, competition and government regulations, risk of interruption or failure of information technology systems and data – all of these govern the business and influence the controls and management at the Company.

Gulf Pine manages these risks by:

- attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company;
- operating properties in order to maximize opportunities;
- employing risk management instruments to minimize exposure to volatility of commodity prices;
- maintaining a comprehensive property loss and business interruption insurance program to reduce risk;
- implementing cyber security protocols and procedures to reduce the risk of a significant breach of the Company's information technology systems and related data;
- maintaining a strong financial position; and
- maintaining strict environmental, safety and health practices.

Commodity Derivative Contracts

Gulf Pine utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps. The derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. Gulf Pine does not apply hedge accounting to its commodity derivative contracts; accordingly, changes in the fair value of these instruments are recognized in the Consolidated Statements of Operations and Comprehensive Loss in the period of change.

On February 10, 2017, Gulf Pine unwound the December 22, 2016 Put Option of 5,000 MMBtu/d for calendar 2017 for cash proceeds of $0.2 million.

Gulf Pine had the following commodity derivative contracts in place as at December 31, 2017:

Natural Gas	Volume	Pricing
Fixed Price Swap		
January 1, 2018 – December 31, 2018	4,600 MMBtu/d	NYMEX – HH $3.025/MMBtu
January 1, 2019 – December 31, 2019	3,900 MMBtu/d	NYMEX – HH $2.840/MMBtu

Crude Oil	Volume	Pricing
Fixed Price Swap		
January 1, 2018 – December 31, 2018	60 Bbl/d	WTI $55.25/Bbl
January 1, 2019 – December 31, 2019	50 Bbl/d	WTI $55.25/Bbl

Below is a reconciliation of the gain on derivates from the Consolidated Statements of Operations and Comprehensive Loss:

	Year ended Dec 31, 2017	**Year ended Dec 31, 2016**
Realized (gain) on derivatives		
(Gain) from unwound derivative contract	$ (72)	$ -
(Gain) from active derivative contracts	(604)	-
	(676)	-
Unrealized (gain) / loss on derivatives	(268)	138
(Gain) / loss on derivatives	**$ (944)**	**$ 138**

Critical Accounting Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of any possible contingencies. These estimates and assumptions are developed based on the best available information which management believed to be reasonable at the time such estimates and assumptions were made. As such, these assumptions are uncertain at the time estimates are made and could change, resulting in a material impact on Gulf Pine's consolidated financial statements. Estimates are reviewed by management on an ongoing basis and as a result may change from period to period due to the availability of new information or changes in circumstances. Additionally, as a result of the unique circumstances of each jurisdiction that Gulf Pine operates in, the critical accounting estimates may affect one or more jurisdictions. Further information, including a discussion of critical accounting estimates, can be found in the notes to the Consolidated Financial Statements.

Non-GAAP Financial Measures

This MD&A includes references to certain financial measures which do not have standardized meanings and may not be comparable to similar measures presented by other issuers.

"EBITDAX" is used by Gulf Pine and is useful to investors and securities analysts when evaluating this measure of cash flow against other exploration and production companies. EBITDAX is calculated as Earnings (Loss) before Interest, Taxes, Depreciation, Depletion, Amortization, Accretion, Exploration Expenses, Stock based compensation, Foreign exchange and Impairment.

	Three months ended December 31		**Year ended December 31**	
($000s)	**2017**	**2016**	**2017**	**2016**
Net Loss and Comprehensive Loss	**$ (48,737)**	**$ (3,665)**	**$ (54,875)**	**$ (12,096)**
Add back:				
Interest Expense	179	-	585	-
Unrealized (gain) / loss on derivatives	(83)	138	(268)	138
Exploration expenses	49	210	1,223	2,467
Stock based compensation	5	21	19	85
Foreign exchange (gain) / loss, net	(13)	19	(27)	(28)
Depletion, depreciation, amortization and accretion	5,243	1,460	10,888	5,876
Impairment	43,800	-	43,800	-
EBITDAX	**$ 443**	**$ (1,817)**	**$ 1,345**	**$ (3,558)**

"**Field Netback**" and "**Operating Netback**" are used by Gulf Pine and are useful to investors and securities analysts in evaluating operating performance of our crude oil and natural gas assets. Field Netback is calculated as oil and natural gas sales less royalties, production taxes, operating expenses and transportation costs. Operating Netback is Field Netback less realized gain / (loss) on derivatives.

Three months ended	2017 December 31	2017 September 30	2017 June 30	2017 March 31	2016 December 31	2016 September 30	2016 June 30	2016 March 31
Revenue	$ 3,071	$ 3,040	$ 3,361	$ 2,445	$ 301	$ 374	$ 819	$ 213
Operating	(1,401)	(1,586)	(1,619)	(1,042)	(458)	(249)	(195)	(97)
Production taxes	(184)	(189)	(211)	(139)	(13)	(12)	(18)	(8)
Field netback	**1,486**	**1,265**	**1,531**	**1,264**	**(170)**	**113**	**606**	**108**
Realized gain/(loss) on derivatives	172	200	99	205	-	-	-	-
Operating netback	**1,658**	**1,465**	**1,630**	**1,469**	**(170)**	**113**	**606**	**108**

Abbreviations

bbl/d	barrels per day
Mcf/d	thousand cubic feet per day
Mcf/d	thousand cubic feet equivalent per day
MMBtu/d	million British thermal units per day
boe/d	barrels of oil equivalent per day
NGLs	natural gas liquids
Gas	natural gas
Liquids	oil and NGLs
NYMEX – HH	New York Mercantile Exchange – Henry Hub
WTI	West Texas Intermediate
EBITDAX	Earnings before Interest, Taxes, Depreciation, Depletion, Amortization, Accretion, Exploration Expenses, Stock based compensation, Foreign exchange and Impairment

Management's Discussion and Analysis of

GULF PINE ENERGY PARTNERS, LP

September 30, 2018 & 2017

(U.S. Dollars)

The following Management's Discussion and Analysis ("MD&A") of financial results as provided by the management of Gulf Pine Energy Partners, LP ("Gulf Pine" or the "Company") should be read in conjunction with the Company's unaudited financial statements for the period ended September 30, 2018 and audited financial statements for the year ended December 31, 2017. These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Unless otherwise indicated, in this MD&A all references to "dollar" or the use of the symbol "$" are to the United States Dollar.

READER ADVISORIES

Disclosure Regarding Forward-Looking Statements
Certain statements and information contained within this MD&A, and in certain documents incorporated by reference into this document, constitute forward-looking statements. These statements include, without limitation, statements regarding the status of development or expenditures relating to our business, plans to fund our current activities, future operations, future oil and natural gas production estimates and weighting, future financial position, future revenues and projected costs. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "estimate", "potential", "could", or the negative of such terms or other comparable terminology. We made a number of assumptions in the preparation of these forward-looking statements. You should not place undue reliance on our forward-looking statements, which are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, commodity price, interest rate and exchange rate volatility, the need for additional capital and the effect of capital market conditions and other factors, risks relating to the oil and gas industry, such as operational risks and market demand, government regulation, the potential dilutive effects of any financing, the timing of exploration and development, the timing and costs of obtaining regulatory approvals, our estimates regarding our capital requirements and future revenues, the timing and amount of tax credits, and other risks detailed from time to time in our public disclosure documents.
The forward-looking statements are made as of the date hereof, and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Summary

Gulf Pine Energy Partners, LP ("Gulf Pine") is an exploration and production company focused on developing light oil and natural gas resources in the U.S. Gulf Coast region. Gulf Pine's operations are primarily focused in Mississippi and Alabama. Our goal is to identify assets with large oil & natural gas in place and low recovery or limited exploitation and apply management's extensive operational experience in horizontal drilling and completion technology to help capture these resources. Gulf Pine's head office is located in Calgary, Alberta, Canada.

Gulf Pine was incorporated on November 12, 2014 in the state of Delaware. Gulf Pine purchased oil and gas assets in Mississippi and Alabama on December 29, 2014 for $47.5 million.

Asset Acquisition

On February 1, 2017, Gulf Pine acquired approximately 26,000 net acres of held by production land and oil and gas properties, leasehold mineral interests and related assets located in Central Mississippi for $31.4 million. The Central Mississippi acquisition ("CMS acquisition") had an effective date of January 1, 2017 and closed on February 1, 2017.

Production and pricing summary

			Nine months ended September 30,	
	Q3 2018	**Q3 2017**	**2018**	**2017**
Daily production				
Oil and NGLs (bbl/d)	210	216	229	226
Natural gas (Mcf/d)	7,585	7,888	7,960	7,473
Combined (Mcfe/d)	**8,845**	**9,184**	**9,334**	**8,829**
Realized commodity prices ($USD)				
Oil and NGLs (bbl)	$ 65.74	$ 43.04	$ 69.62	$ 42.59
Natural gas (Mcf)	2.92	3.01	2.99	3.04
Combined (Mcfe)	**$ 4.07**	**$ 3.60**	**$ 4.05**	**$ 3.67**

Net loss and comprehensive loss

			Nine months ended September 30,	
($000s)	**Q3 2018**	**Q3 2017**	**2018**	**2017**
Oil and natural gas sales	$ 3,307	$ 3,040	$ 10,330	$ 8,846
Operating expenses	(1,263)	(1,586)	(4,025)	(4,247)
Production taxes	(198)	(189)	(612)	(539)
General and administrative expenses	(874)	(958)	(2,793)	(2,822)
Transaction costs	(137)	(29)	(137)	(840)
Realized (gain) / loss on derivatives	(49)	200	(59)	504
EBITDAX (1)	**786**	**478**	**2,704**	**902**
Interest Expense	(220)	(156)	(649)	(406)
Unrealized (gain) / loss on derivatives	88	(427)	(474)	185
Exploration expenses	(1)	(359)	16	(1,174)
Stock based compensation	(2)	(4)	(6)	(14)
Foreign exchange (gain) / loss, net	(3)	29	(34)	14
Depletion, depreciation, amortization and accretion	(2,030)	(1,889)	(6,270)	(5,645)
Net Loss and Comprehensive Loss	**(1,382)**	**(2,328)**	**$ (4,713)**	**$ (6,138)**
Loss per unit, basic & diluted	**$ (0.01)**	**$ (0.02)**	**$ (0.04)**	**$ (0.06)**

(1) See Non-GAAP Measures section

Eight Quarter Analysis

Daily Production and Commodity Prices

	2018				2017			2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Daily production								
Oil and NGLs (bbl/d)	**210**	**230**	**246**	**218**	**216**	**233**	**230**	**69**
Natural gas (Mcf/d)	**7,585**	**7,872**	**8,432**	**7,431**	**7,888**	**8,667**	**5,841**	**125**
Combined (Mcfe/d)	**8,845**	**9,252**	**9,908**	**8,739**	**9,184**	**10,065**	**7,221**	**539**
Realized commodity prices ($USD)								
Oil and NGLs (bbl)	**$65.74**	**$61.31**	**$58.19**	**$53.05**	**$43.04**	**$41.49**	**$43.30**	**$39.74**
Natural gas (Mcf)	**$2.92**	**$2.83**	**$3.19**	**$2.93**	**$3.01**	**$3.15**	**$2.94**	**$3.46**
Combined (Mcfe)	**$4.07**	**$3.93**	**$4.16**	**$3.82**	**$3.60**	**$3.67**	**$3.76**	**$6.07**

Summary of Operating Results

	2018				2017			2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	$ 3,307	$ 3,310	$ 3,713	$ 3,071	$ 3,040	$ 3,361	$ 2,445	$ 301
Operating	(1,263)	(1,401)	(1,361)	(1,401)	(1,586)	(1,619)	(1,042)	(458)
Production taxes	(198)	(196)	(218)	(184)	(189)	(211)	(139)	(13)
Field netback (1)	**1,846**	**1,713**	**2,134**	**1,486**	**1,265**	**1,531**	**1,264**	**(170)**
Realized gain/(loss) on derivatives	(49)	11	(21)	172	200	99	205	-
Operating netback(1)	**1,797**	**1,724**	**2,113**	**1,658**	**1,465**	**1,630**	**1,469**	**(170)**
Net loss	**(1,382)**	**(2,078)**	**(1,253)**	**(48,737)**	**(2,328)**	**(1,356)**	**(2,454)**	**(3,665)**
Capital expenditures, net	$ 32	$ 49	$ 242	$ 6,803	$ 5,963	$ 2,123	$ 32,944	$ 332

(1) See Non-GAAP Measures section

	2018				2017			2016
($/Mcfe)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	$4.07	$3.93	$4.16	$3.82	$3.60	$3.67	$3.76	$6.07
Operating	(1.55)	(1.66)	(1.53)	(1.74)	(1.88)	(1.77)	(1.60)	(9.24)
Production taxes	(0.24)	(0.23)	(.24)	(0.23)	(0.22)	(0.23)	(0.21)	(0.26)
Field netback (1)	**2.28**	**2.04**	**2.39**	**1.85**	**1.50**	**1.67**	**1.95**	**(3.43)**
Realized gain/(loss) on derivatives	(0.06)	0.01	(0.02)	0.21	0.24	0.11	0.32	-
Operating netback(1)	**2.22**	**2.05**	**2.37**	**2.06**	**1.74**	**1.78**	**2.27**	**(3.43)**
Net loss per unit	**$(0.01)**	**$(0.02)**	**$(0.01)**	**$(0.41)**	**$(0.02)**	**$(0.01)**	**$(0.02)**	**$(0.04)**

(1) See Non-GAAP Measures section

Oil and Natural Gas Revenues

For the three months ended September 30, 2018, total revenue increased by 9% as compared to the same period last year, as average daily production decreased 4%. The lower production was more than offset by higher realized prices.

For the nine months ended September 30, 2018, total revenue increased by 17% as compared to the same period last year, as average daily production increased 6%.

			Nine months ended September 30,	
	Q3 2018	**Q3 2017**	**2018**	**2017**
Oil and NGLs	$ 1,267	$ 857	$ 3,842	$ 2,636
Natural gas	2,040	2,183	6,488	6,210
Total Revenue	$ 3,307	$ 3,040	$ 10,330	$ 8,846
% Natural gas	62%	72%	63%	70%

Production and Operating Expenses

For the three months ended September 30, 2018, operating and production expenses decreased by 18% compared to the same period a year ago. On a per unit basis, operating and production expenses decreased $0.31/Mcfe.

For the nine months ended September 30, 2018, operating and production expenses decreased 3% as compared to the same period last year.

			Nine months ended September 30,	
	Q3 2018	**Q3 2017**	**2018**	**2017**
Operating	$ 1,263	$ 1,586	$ 4,025	$ 4,247
Production	198	189	612	539
Total	**$ 1,461**	**$ 1,775**	**$ 4,637**	**$ 4,786**

General & Administrative and Transaction Expenses

General and administrative expenses increased 2% for the three months ended September 30, 2018 compared to Q3 2017.

For the nine months ended September 30, 2018, general and administrative expenses decreased 20% compared to the same period in 2017. This was mainly due to transaction costs pertaining to the CMS acquisition.

	Q3 2018	Q3 2017	Nine months ended September 30, 2018	2017
General and administrative	874	958	2,793	2,822
Transaction costs	137	29	137	840
Total	**1,011**	**987**	**2,930**	**3,662**

Depletion and Depreciation

For the three months ended September 30, 2018, depletion, depreciation, amortization and accretion increased by 7% compared to the same period last year.

For the nine months ended September 30, 2018, depletion, depreciation, amortization and accretion increased by 11% compared to the same period last year, mainly due to a full nine months of production from the CMS acquisition.

	Q3 2018	Q3 2017	Nine months ended September 30, 2018	2017
Depletion, deprecation, amortization and accretion	2,030	1,889	6,270	5,645

Property plant and equipment (PP&E)

Cost	**PP&E Assets**
Balance at December 31, 2016	74,332
Additions	47,833
Change in asset retirement obligations	2,114
Balance at December 31, 2017	$ 124,279
Additions	323
Balance at September 30, 2018	$ 124,602
Depletion, depreciation, amortization and impairment	
Balance at December 31, 2016	10,952
Depletion, depreciation and amortization	10,771
Impairment	43,800
Balance at December 31, 2017	$ 65,523
Depletion, depreciation and amortization	6,168
Balance at September 30, 2018	$ 71,691
Net book value:	
Balance at December 31, 2017	$ 58,756
Balance at September 30, 2018	$ 52,911

There was limited capital activity during the nine months ended September 30, 2018.

On February 1, 2017, Gulf Pine acquired approximately 26,000 net acres of held by production land and oil and gas properties, leasehold mineral interests and related assets located in Central Mississippi. The Company paid approximately $32.3 million (excluding customary acquisition costs) in cash, for the acquired assets.

During the twelve months ended December 31, 2017, Gulf Pine incurred $8.5 million of exploratory well costs that were pending the determination of reserves in 2017. The exploratory wells costs included the drilling of the 2.0 gross (2.0 net before payout) operated wells in the Mechanicsburg field and preliminary expenditures for future drills. These two wells have both been rig released and are currently on production.

Credit facility

Gulf Pine had the following current and long-term debt obligations outstanding as at the dates indicated:

	As at Sep 30, 2018	As at Dec 31, 2017
Current Portion Senior Secured Bank Credit Facility	$ 2,500	$ -
Long-term Portion Senior Secured Bank Credit Facility	13,500	16,000
Total Credit Facility	**$ 16,000**	**$ 16,000**

In January 2017, Gulf Pine entered into an agreement to borrow up to $150 million via a Senior Secured Credit Facility with Texas Capital Bank. The credit facility is secured against the Oil and Gas properties of Gulf Pine. The initial borrowing base is $20 million with a maturity date of February 1, 2021. The borrowing base for the Senior Secured Credit Facility is reviewed semi-annually. Gulf Pine completed the fall borrowing base redetermination which resulted in a decrease of the initial borrowing base from $20 million down to $16 million, effective for October 1, 2018. Additionally, as part of the transaction announced on November 11, 2018 (Note 13), Gulf Pine as agreed to pay down the credit facility to $13.5 million in December 2018. The next scheduled borrowing base review will be completed in April 2019. Gulf Pine has the ability to request two additional redeterminations each year, at its sole election.

Interest on borrowings under the Senior Secured Credit Facility is determined by reference to the London Interbank Offered Rate ("LIBOR") plus a margin that ranges from 2.50% to 3.50%. Gulf Pine pays a commitment fee of 0.50% on the undrawn borrowing base. For the nine months ended September 30, 2018, the effective interest rate, excluding commitment and other fees, was 5.25% (September 30, 2017 – 4.32%).

The covenants under the credit facility include covenants which relate to leverage ratio (Debt / Earnings before Interest, Taxes, Depreciation, Depletion, Amortization and Exploration Expenses "EBITDAX"), interest coverage ratio (EBITDAX / Cash Interest) and current ratio (Current Assets / Current Liabilities). Gulf Pine was granted relief for general and administrative expenses from the EBITDAX calculation for the test periods of December 31, 2017. As at September 30, 2018, Gulf Pine was not in compliance with the leverage or current ratio. Gulf Pine has obtained written waivers from Texas Capital Bank for both quarters of non-compliance.

Unitholders' Equity

On November 17, 2014, Gulf Pine entered into the Unit Subscription Agreement between Gulf Pine Energy Partners, LP and the "Investor" group. As part of the agreement, Gulf Pine was extended a Line of Equity of $152.0 million.

Unitholders' Capital	**As at September 30, 2018**		**Year ended Dec 31, 2017**	
Authorized unlimited number of Series A units issued:	**Shares**	**Amount**	**Shares**	**Amount**
Balance, beginning of period	119,809,568	$ 119,810	94,609,568	$ 94,610
Issued for cash:				
Series A units	1,200,000	$ 1,200	25,200,000	$ 25,200
Balance, end of period	**121,009,568**	**$ 121,010**	**119,809,568**	**$ 119,810**

Risk Management

The business risks the Company is exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Gulf Pine's operations. Geological and engineering risks, the uncertainty of discovering commercial quantities of new reserves, commodity prices, interest rate and foreign exchange risks, competition and government regulations, risk of interruption or failure of information technology systems and data – all of these govern the business and influence the controls and management at the Company.

Gulf Pine manages these risks by:

- attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company;
- operating properties in order to maximize opportunities;
- employing risk management instruments to minimize exposure to volatility of commodity prices;
- maintaining a comprehensive property loss and business interruption insurance program to reduce risk;
- implementing cyber security protocols and procedures to reduce the risk of a significant breach of the Company's information technology systems and related data;
- maintaining a strong financial position; and
- maintaining strict environmental, safety and health practices.

Commodity Derivative Contracts

Gulf Pine utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps. The derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. Gulf Pine does not apply hedge accounting to its commodity derivative contracts; accordingly, changes in the fair value of these instruments are recognized in the Consolidated Statements of Operations and Comprehensive Loss in the period of change.

On February 10, 2017, Gulf Pine unwound the December 22, 2016 Put Option of 5,000 MMBtu/d for calendar 2017 for cash proceeds of $0.2 million.

Gulf Pine had the following commodity derivative contracts in place as at September 30, 2018:

Natural Gas	Volume	Pricing
Fixed Price Swap		
October 1, 2018 – December 31, 2018	4,600 MMBtu/d	NYMEX – HH $3.025/MMBtu
January 1, 2019 – December 31, 2019	3,900 MMBtu/d	NYMEX – HH $2.840/MMBtu
January 1, 2020 – December 31, 2020	1,000 MMBtu/d	NYMEX – HH $2.600/MMBtu

Crude Oil	Volume	Pricing
Fixed Price Swap		
October 1, 2018 – December 31, 2018	60 Bbl/d	WTI $55.25/Bbl
October 1, 2018 – December 31, 2018	40 Bbl/d	WTI $63.60/Bbl
January 1, 2019 – December 31, 2019	50 Bbl/d	WTI $55.25/Bbl

Below is a reconciliation of the gain on derivates from the Consolidated Statements of Operations and Comprehensive Loss:

			Nine months ended September 30	
	Q3 2018	**Q3 2017**	**2018**	**2017**
Realized (gain) / loss on derivatives				
(Gain) from unwound derivative contract	$ -	$ -	$ -	$ (72)
(Gain) / loss from active derivative contracts	49	(200)	59	(432)
	49	(200)	59	(504)
Unrealized (gain) / loss on derivatives	(88)	427	474	(185)
(Gain) / loss on derivatives	**$ (39)**	**$ 227**	**$ 533**	**$ (689)**

Subsequent Events

On November 11, 2018 Gulf Pine entered into a definitive agreement, pursuant to which Standard Exploration Ltd., a publicly traded Canadian company on the TSX Venture Exchange will acquire all of the limited partnership units of Gulf Pine Energy Partners, LP for a total transaction value of USD$24.4 million (comprised of cash consideration of USD$3,425,000), including net debt. The Transaction is subject to customary closing conditions, including the approval of the TSXV.

Critical Accounting Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of any possible contingencies. These estimates and assumptions are developed based on the best available information which management believed to be reasonable at the time such estimates and assumptions were made. As such, these assumptions are uncertain at the time estimates are made and could change, resulting in a material impact on Gulf Pine's consolidated financial statements. Estimates are reviewed by management on an ongoing basis and as a result may change from period to period due to the availability of new information or changes in circumstances. Additionally, as a result of the unique circumstances of each jurisdiction that Gulf Pine operates in, the critical accounting estimates may affect one or more jurisdictions. Further information, including a discussion of critical accounting estimates, can be found in the notes to the Consolidated Financial Statements.

Non-GAAP Financial Measures

This MD&A includes references to certain financial measures which do not have standardized meanings and may not be comparable to similar measures presented by other issuers.

"EBITDAX" is used by Gulf Pine and is useful to investors and securities analysts when evaluating this measure of cash flow against other exploration and production companies. EBITDAX is calculated as Earnings (Loss) before Interest, Taxes, Depreciation, Depletion, Amortization, Exploration Expenses, Stock based compensation and foreign exchange.

			Nine months ended September 30	
($000s)	**Q3 2018**	**Q3 2017**	**2018**	**2017**
Net Loss and Comprehensive Loss	**$ (1,382)**	**$ (2,328)**	**$ (4,713)**	**$ (6,138)**
Add back:				
Interest Expense	220	156	649	406
Unrealized (gain) / loss on derivatives	(88)	427	474	(185)
Exploration expenses	1	359	(16)	1,174
Stock based compensation	2	4	6	14
Foreign exchange (gain) / loss, net	3	(29)	34	(14)
Depletion, depreciation, amortization and accretion	2,030	1,889	6,270	5,645
EBITDAX	**$ 786**	**$ 478**	**$ 2,704**	**$ 902**

"**Field Netback**" and "**Operating Netback**" are used by Gulf Pine and are useful to investors and securities analysts in evaluating operating performance of our crude oil and natural gas assets. Field Netback is calculated as oil and natural gas sales less royalties, production taxes, operating expenses and transportation costs. Operating Netback is Field Netback less realized gain / (loss) on derivatives.

	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	$ 3,307	$ 3,310	$ 3,713	$ 3,071	$ 3,040	$ 3,361	$ 2,445	$ 301
Operating	(1,263)	(1,401)	(1,361)	(1,401)	(1,586)	(1,619)	(1,042)	(458)
Production taxes	(198)	(196)	(218)	(184)	(189)	(211)	(139)	(13)
Field netback	**1,846**	**1,713**	**2,134**	**1,486**	**1,265**	**1,531**	**1,264**	**(170)**
Realized gain/(loss) on derivatives	(49)	11	(21)	172	200	99	205	-
Operating netback	**1,797**	**1,724**	**2,113**	**1,658**	**1,465**	**1,630**	**1,469**	**(170)**
Net loss	**(1,382)**	**(2,078)**	**(1,253)**	**(48,737)**	**(2,328)**	**(1,356)**	**(2,454)**	**(3,665)**
Capital expenditures, net	$ 32	$ 49	$ 242	$ 6,803	$ 5,963	$ 2,123	$ 32,944	$ 332

Abbreviations

bbl/d	barrels per day
Mcf/d	thousand cubic feet per day
Mcf/d	thousand cubic feet equivalent per day
MMBtu/d	million British thermal units per day
boe/d	barrels of oil equivalent per day
NGLs	natural gas liquids
Gas	natural gas
Liquids	oil and NGLs
NYMEX – HH	New York Mercantile Exchange – Henry Hub
WTI	West Texas Intermediate
EBITDAX	Earnings before Interest, Taxes, Depreciation, Depletion, Amortization, Exploration Expenses, Stock based compensation and Foreign exchange

SCHEDULE "E"

Unaudited Pro Forma Consolidated Financial Statements of the Resulting Issuer

Standard Exploration Ltd.

Unaudited Pro Forma Consolidated Financial Statements

As at and for the Nine Months Ended September 30, 2018

And for the Year Ended December 31, 2017

(prepared by management)

Pro Forma Consolidated Statement of Financial Position

As at September 30, 2018	***Standard Exploration (CAD $000s)***	***Gulf Pine Energy (US $000s)***	***Note 3***	***Pro Forma Adj (CAD $000s)***	***Pro Forma Standard Exploration (CAD $000s)***
Assets					
Current Assets					
Cash and cash equivalents	930	2,293	A	675	12,718
			B	16,490	
			C	(4,434)	
			D	(3,236)	
Accounts receivable	83	1,454	A	428	1,965
Deposits and prepaid expenses	113	225	A	66	404
Derivative assets	-	90	A	27	117
Total current assets	1,126	4,062		10,016	15,204
Property and equipment	2,325	124,140	A	36,559	41,745
			C	(128,261)	
			E	6,982	
Other property, plant and equipment	-	462	A	136	-
			C	(598)	
Less accumulated depletion, depreciation and amortization	-	(71,691)	A	(21,113)	(6,982)
			C	92,804	
			E	(6,982)	
Net property, plant and equipment	2,325	52,911		(20,473)	34,763
Derivative assets	-	74	A	22	96
Total assets	**3,451**	**57,047**		**(10,435)**	**50,063**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	270	4,772	A	1,405	9,495
			C	2,848	
			G	200	
Derivative liabilities	-	285	A	84	369
Total current liabilities	270	5,057		4,537	9,864
Derivative liabilities	-	85	A	25	110
Bank loan	-	16,000	A	4,712	17,476
			D	(3,236)	
Decommissioning provisions	1,096	2,427	A	715	4,238
Total liabilities	**1,366**	**23,569**		**6,753**	**31,688**
Shareholders' Equity					
Share capital	15,922	121,010	A	35,637	32,150
			B	16,228	
			C	(156,647)	
Contributed surplus	3,883	451	A	133	4,145
			B	262	
			C	(584)	
Deficit	(17,720)	(87,983)	A	(25,911)	(17,920)
			C	113,894	
			G	(200)	
Total shareholders' equity	2,085	33,478		(17,188)	18,375
Total liabilities and shareholders' equity	**3,451**	**57,047**		**(10,435)**	**50,063**

Pro Forma Consolidated Statement of Loss

Nine months ended September 30, 2018	*Standard Exploration (CAD $000s)*	*Gulf Pine Energy (US $000s)*	*Note 3*	*Pro Forma Adj (CAD $000s)*	*Pro Forma Standard Exploration (CAD $000s)*
Revenue					
Petroleum and natural gas sales, net of royalties	600	10,330	A	2,971	15,065
			E	1,164	
Expenses					
Production and operating	184	4,637	A	1,334	6,155
Transportation	35	-	E	1,164	1,199
Exploration and evaluation	42	(16)	A	(5)	30
			F	9	
Depletion, depreciation, amortization	283	6,270	A	1,803	4,885
			F	(3,471)	
(Gain) / loss on derivatives	-	533	A	153	686
Interest	8	649	A	187	829
	-	-	E	(15)	
Accretion	-	-	E	15	33
			F	18	
General and administrative	375	2,793	A	803	3,971
Stock-based compensation	-	6	A	2	85
			B	77	
Transaction costs	-	137	A	39	176
Foreign exchange (gain) / loss, net	-	34	A	10	44
	927	**15,043**		**2,123**	**18,093**
Loss and comprehensive loss for the period	**(327)**	**(4,713)**		**2,012**	**(3,028)**
Basic and diluted					
Loss per share			H		(0.02)
Weighted average shares outstanding			H		194,246,971

Pro Forma Consolidated Statement of Loss

Twelve months ended December 31, 2017	*Standard Exploration (CAD $000s)*	*Gulf Pine Energy (US $000s)*	*Note 3*	*Pro Forma Adj (CAD $000s)*	*Pro Forma Standard Exploration (CAD $000s)*
Revenue					
Petroleum and natural gas sales, net of royalties	765	11,917	A	3,558	17,645
			E	1,405	
Expenses					
Production and operating	223	6,371	A	1,902	8,496
Transportation	45	-	E	1,405	1,450
Exploration and evaluation	48	1,223	A	365	1,030
			F	(606)	
Depletion, depreciation, amortization	371	10,888	A	3,251	6,424
			F	(8,086)	
Impairment	-	43,800	A	13,079	67,198
			F	10,319	
Loss on disposition	112	-		-	112
(Gain) / loss on derivatives	-	(944)	A	(282)	(1,226)
Interest	(17)	585	A	175	725
			E	(18)	
Accretion	-	-	E	18	40
			F	22	
General and administrative	584	4,036	A	1,205	5,825
Stock-based compensation	5	19	A	6	185
			B	155	
Transaction costs	-	841	A	251	3,971
			G	2,879	
Foreign exchange (gain) / loss, net	-	(27)	A	(8)	(35)
	1,371	**66,792**		**26,032**	**94,195**
Loss and comprehensive loss for the period	**(606)**	**(54,875)**		**(21,069)**	**(76,550)**
Basic and diluted					
Loss per share			H		(0.39)
Weighted average shares outstanding			H		194,246,971

Notes to the Proforma Consolidated Financial Statements

Thousands of Canadian dollars, except share and per share amounts, unaudited

1. Basis of Preparation

The following unaudited pro forma condensed consolidated financial statements (the "Pro Forma") was prepared using the acquisition method of accounting under existing International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and International Accounting Standards 34, Interim Financial Reporting as applicable, and give effect to the proposed transaction between Standard Exploration Ltd. ("Standard", "SDE" or the "Company") and Gulf Pine Energy Partners, LP ("Gulf Pine" or "GPE").

The pro forma consolidated statements of net loss for the nine months ended September 30, 2018 and for the year ended December 31, 2017 give effect to the Acquisition and assumptions described herein as if they had occurred on January 1, 2017.

These Pro Forma are derived from information from the financial statements of Standard and Gulf Pine using the same accounting policies as described in Standard's annual financial statements for the period ending December 31, 2017, together with other information available to the Company. The Pro Forma have been compiled from the information derived from and should be read in conjunction with:

• Standard's unaudited interim financial statements prepared in accordance with IAS 34 for the three and nine months ended September 30, 2018;

• Standard's audited financial statements prepared in accordance with IFRS as at December 31, 2017 and for the year then ended;

• Gulf Pine's audited financial statements as at and for the year ended December 31, 2017 and the unaudited financial statements for the nine months ended September 30, 2018. Both were prepared in accordance with generally accepted accounting principles in the US.

The Pro Forma has been prepared for inclusion in the Filing Statement of Standard Exploration Ltd. dated December 14, 2018 in connection with the Arrangement (as defined below in Note 2 – Proposed Transaction).

The Pro Forma has been prepared for illustrative purposes only and may not be indicative of the combined entities' financial position and results of operations that would have occurred if the Arrangement (as defined below) had been in effect at the dates indicated or of results which may be obtained in the future.

Completion of the Arrangement is subject to a number of conditions including, but not limited to, approval by the TSX Venture Exchange (the ''TSX-V'').

Significant Judgements

The preparation of these Pro Forma requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from estimates.

2. Proposed Transaction

On November 13, 2018, Standard Exploration Ltd. entered into a definitive reorganization and investment agreement with Ian Atkinson, Calvin Yau, Chris Birchard and Gary McMurren (the "Initial Investor Group") which provides for: (i) a non-brokered private placement of up to an aggregate of $17.0 million, provided that the Corporation shall be entitled to increase the size of the private placement to $25.0 million as a result of excess demand (the "Private Placement"); (ii) the appointment of a new management team (the "New Management Team") and new board of directors (the "New Board") in connection with the completion of the Private Placement; and (iii) subject to regulatory approval, a rights offering (the "Rights Offering") to holders of common shares ("Common Shares") of Corporation (collectively, the "Recapitalization"). Completion of the Recapitalization is subject to customary closing conditions, including the approval of the TSX Venture Exchange (the "TSXV").

On November 11, 2018 Gulf Pine entered into a definitive agreement, pursuant to which Standard Exploration Ltd., a publicly traded Canadian company on the TSX Venture Exchange will acquire all of the limited partnership units of Gulf Pine Energy Partners, LP for cash consideration of USD$3,425,000, including net debt. The Transaction is subject to customary closing conditions, including the approval of the TSXV.

3. Pro Forma Adjustments

A. Foreign Exchange

Gulf Pine's reporting currency is USD. Therefore, the Pro Forma Consolidated Statement of Financial Position was translated using the foreign exchange rate as at September 30, 2018 and the Pro Forma Consolidated Statement of Loss was translated using the average rate for the period.

	USD to CAD
September 30, 2018	1.2945
January 1, 2018 – September 30, 2018 – average rate	1.2876
January 1, 2017 – December 31, 2017 – average rate	1.2986

B. Financing

The financing adjustments reflect the closing of a CAD$17.0 million-dollar non-brokered private placement, including CAD$0.5 million of share issuance costs associated with the financing. The Pro Forma Consolidated Statement of Financial Position includes CAD$0.3 million relating to the estimated value of the performance warrants. The Pro Forma Consolidated Statement of Loss includes CAD$0.1 million for the period ended September 30, 2018 and CAD$0.2 million for the year ended December 31, 2017 for the estimated stock-based compensation expense of the performance warrants.

The assumptions used on the calculation of the fair value of the warrants were as follows: expected volatility – 20%, risk-free interest rate - 2.33%, expected dividend yield – 0%, expected life of options – 5 years.

C. *Purchase Price Equation*

The values of the net assets acquired and consideration paid for 100% ownership of Gulf Pine is provisionally allocated as follow:

	US$000s	CAD$000s
Consideration effectively transferred:	$3,425	$4,434
Consideration allocated as follows:		
Property and equipment	25,058	32,438
Working capital deficiency	(3,000)	(3,884)
Net derivatives	(205)	(266)
Bank loan	(16,000)	(20,712)
Decommissioning obligations	(2,427)	(3,142)
	$3,425	$4,434

Under IFRS 3 Business Combinations, the initial fair value of the assets and liabilities being acquired are calculated using a credit adjusted rate. Subsequent to the acquisition, certain items are adjusted to reflect a risk-free discount rate. The above amounts shown are based on the initial fair value amounts calculated using a credit adjusted rate.

The above working capital deficiency includes CAD$2.8 million pertaining to transaction costs detailed below in note 3G.

Exchange rate based on September 30, 2018 foreign exchange rate of 1.2945 CAD/USD.

In addition, the following balances were removed as part of the elimination of Gulf Pine's equity at close.

	US$000s	CAD$000s
Share capital	121,010	156,647
Contributed surplus	451	584
Deficit	(87,983)	(113,894)
Total shareholder's equity	33,478	43,337

D. *Debt reduction*

As part of the transaction, Standard Exploration will pay CAD$3.2 million to reduce the current outstanding bank debt of Gulf Pine down to US$13.5 million.

E. *Reclassification*

Some entries have been reclassified to be consistent with the presentation of the Pro Forma Statement of Loss.

F. *US GAAP to IFRS Reconciliation*

Gulf Pine's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The following adjustments were made to reflect the Statement of Loss as if they were prepared using the accounting policies of Standard Exploration in accordance with IFRS as issued by the International Accounting Standards Board.

IFRS requires that property, plant and equipment associated with oil and natural gas development and production be monitored and depreciated at a more granular level than was required under full cost accounting allowable under US GAAP. The deemed cost exemption contained within IFRS 1 allows companies converting to IFRS under their previous GAAP to elect that the deemed cost of their oil and gas property, plant and equipment at transition date be equal to their historic carrying value under their previous GAAP. Gulf Pine has applied this exemption as at January 1, 2017.

As part of this exemption, Gulf Pine had to perform an impairment test on transition. As a result of this impairment test, Gulf Pine had to incur an incremental CAD$10.3 million impairment on transition that is reflected in the Statement of Loss for the year ended December 31, 2017.

A summary of the Pro Forma Consolidated Statement of Loss adjustments pertaining to Depletion, Amortization and Accretion are below:

- Depletion, depreciation, amortization and accretion – Under US GAAP, Gulf Pine amortized the undeveloped land over the expected life of the lease. These lands have been defined as exploration and evaluation assets under IFRS, and no impairments were recorded in either period. Accretion expense was reduced as under US GAAP, a company is allowed to use a credit adjusted rate to discount the future expenses, whereas a risk-free rate is required under IFRS. In addition, accretion is presented on a separate line item on the Statement of Loss.

	Reversed US GAAP CAD$000s	Booked under IFRS CAD$000s	Pro Forma Adjustment CAD$000s
Depletion			
Nine months ended September 30, 2018	$ 3,950	$ 4,534	
Year ended December 31, 2017	9,384	5,950	
Amortization of unproved lands			
Nine months ended September 30, 2018	3,924	-	
Year ended December 31, 2017	4,500	-	
Accretion			
Nine months ended September 30, 2018	131	-	
Year ended December 31, 2017	152	-	
Total nine months ended September 30, 2018	8,005	4,534	3,471
Total year ended December 31, 2017	14,036	5,950	8,086

- Impairment – As per the above note, under the deemed cost approach, an impairment test was performed as at January 1, 2017. The incremental impairment is presented below.

Impairment	Booked under IFRS CAD$000s
Year ended December 31, 2017	$ 10,319

- Exploration and evaluation – Under US GAAP all geological and geophysical costs not related to specific reserves are expensed as incurred. Geological expenses on un-owned lands are expensed as per Standard's exploration and evaluation policy under IFRS.

Exploration and Evaluation	Reversed US GAAP CAD$000s	Booked under IFRS CAD$000s
Nine months ended September 30, 2018	$ (21)	$ (12)
Year ended December 31, 2017	1,588	982

- Accretion – The below amounts are presented on the Statement of Loss for accretion expense of the Gulf Pine assets.

Accretion	Booked under IFRS CAD$000s
Nine months ended September 30, 2018	$ 18
Year ended December 31, 2017	22

G. *Transaction Costs*

Estimated transaction costs that are directly attributable to the Acquisition have been included in the Pro Forma Consolidated Statement of Loss, CAD$1.7 million of which relate to Employee Obligations for Gulf Pine employees.

H. *Weighted Average and Total Shares Outstanding*

Pro forma basic and diluted net loss per share was calculated using the combined net losses of pro forma Standard Exploration divided by the weighted average number of Standard shares outstanding after giving effect to the Financing as if it occurred on January 1, 2017. As no shares were issued in 2017 or 2018 prior to the financing and share consolidation relating to the transaction, the weighted average number and total shares outstanding are the same.

(*thousands*)	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
Balance, beginning of period	121,235	121,235
Shares issued from financing	850,000	850,000
Share consolidation (5 to 1)	(776,988)	(776,988)
Balance, end of period	**194,247**	**194,247**

SCHEDULE F

Report of Qualified Reserves Evaluator on the Gulf Pine Assets

FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

To the board of directors of Gulf Pine Energy, LP (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2017. The reserves data are estimates of proved reserves and related future net revenue as at December 31, 2017, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2017, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate) [(C$)]			
			Audited	Evaluated	Reviewed	Total
Netherland, Sewell & Associates, Inc.	December 31, 2017	United States	nil	75,101,900	nil	75,101,900

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699
Dallas, Texas, USA
December 17, 2018

/s/ C.H. (Scott) Rees III

By: ______________________________

C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

CEI:DEC

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

Management of Gulf Pine Energy, LP (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and related future net revenue as at December 31, 2017, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Board of Managers of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Board of Managers has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Managers has approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

signed "Erin Buschert"
Erin Buschert
Vice President, Land

signed "Jim McFadyen"
Jim McFadyen
Vice President, Operations

signed "Bryan Gould"
Bryan Gould
Director

signed "Ian Atkinson"
Ian Atkinson
Director