

**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)

		As at September 30, 2018 (unaudited)	As at December 31, 2017 (audited)
<b>Assets</b>			
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
<b>Liabilities</b>			
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
<b>Shareholders' Equity</b>			
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		Nine Month Ended	
		September 30, 2018	September 30, 2017	September 30, 2018	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)
<b>Loss per share</b>					
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
<b>Balance at January 1, 2017</b>		<b>121,234,854</b>	<b>\$ 15,922,585</b>	<b>\$ 3,878,166</b>	<b>\$(16,787,821)</b>	<b>\$ 3,012,930</b>
Share-based compensation	8	-	-	4,725	-	4,725
Net loss and comprehensive loss for the period		-	-	-	(526,158)	(526,158)
<b>Balance at September 30, 2017</b>		<b>121,234,854</b>	<b>\$ 15,922,585</b>	<b>\$ 3,882,891</b>	<b>\$(17,313,979)</b>	<b>\$ 2,491,497</b>
<b>Balance at December 31, 2017</b>		<b>121,234,854</b>	<b>\$ 15,922,585</b>	<b>\$ 3,882,891</b>	<b>\$(17,393,715)</b>	<b>\$ 2,411,761</b>
Net loss and comprehensive loss for the period		-	-	-	(326,664)	(326,664)
<b>Balance at September 30, 2018</b>		<b>121,234,854</b>	<b>\$ 15,922,585</b>	<b>\$ 3,882,891</b>	<b>\$(17,720,379)</b>	<b>\$ 2,085,097</b>

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		Nine Months Ended	
		September 30, 2018	September 30, 2017	September 30, 2018	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.

# Standard Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### Three and Nine Months Ended September 30, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

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#### 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

# Standard Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### Three and Nine Months Ended September 30, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

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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:

<b>Financial instrument</b>	<b>Measurement category (IAS 39)</b>	<b>Measurement category (IFRS 9)</b>
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

# Standard Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### Three and Nine Months Ended September 30, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

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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.

#### 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 policies to ensure that any exposure to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer the strategies and monitor these risks.

##### (b) Fair value of financial instruments

The fair values of 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.

**Standard Exploration Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
**Three and Nine Months Ended September 30, 2018 and 2017**  
*(amounts in Canadian dollars)*  
*(unaudited)*

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*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 25<sup>th</sup> 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.

# Standard Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### Three and Nine Months Ended September 30, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

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

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

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.

**Standard Exploration Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
**Three and Nine Months Ended September 30, 2018 and 2017**  
*(amounts in Canadian dollars)*  
*(unaudited)*

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

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

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.

**Standard Exploration Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
**Three and Nine Months Ended September 30, 2018 and 2017**  
*(amounts in Canadian dollars)*  
*(unaudited)*

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*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.

# Standard Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### Three and Nine Months Ended September 30, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

The Corporation's defined capital as at September 30, 2018 is as follows:

	<b>September 30, 2018</b>
Current assets	\$ 1,126,045
Current liabilities	(270,356)
<b>Working capital</b>	<b>\$ 855,689</b>

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:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
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
	<b>\$ 35,444</b>	<b>\$ (506)</b>	<b>\$ 51,867</b>	<b>\$ 78,818</b>
Related to operating activities	\$ 30,907	\$ (506)	\$ 38,643	\$ 78,818
Related to investing activities	4,537	-	13,224	-
	<b>\$ 35,444</b>	<b>\$ (506)</b>	<b>\$ 51,867</b>	<b>\$ 78,818</b>

#### 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.

**Standard Exploration Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
**Three and Nine Months Ended September 30, 2018 and 2017**  
*(amounts in Canadian dollars)*  
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(b) Issued

<b>Common shares</b>	<b>Number of shares</b>	<b>Stated value</b>
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:

	<b>Nine Months Ended September 30, 2018</b>	
	<b>Number</b>	<b>Weighted Average Exercise Price</b>
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

# Standard Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### Three and Nine Months Ended September 30, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

The following table summarizes the expiry terms of the Corporation's outstanding share options as at September 30, 2018:

<b>Date of grant</b>	<b>Outstanding Options</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Share Options Exercisable</b>
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, 2017 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:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
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:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
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.

# Standard Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### Three and Nine Months Ended September 30, 2018 and 2017

(amounts in Canadian dollars)

(unaudited)

#### 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:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
Salaries, benefits, consulting fees and director fees	\$ 79,000	\$ 90,000	\$ 227,500	\$ 272,500
Share-based compensation (note 8(b))	-	-	-	4,725
	<b>\$ 79,000</b>	<b>\$ 90,000</b>	<b>\$ 227,500</b>	<b>\$ 277,225</b>

#### 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.

# Standard Exploration Ltd.

## Notes to the Condensed Interim Financial Statements

### Three and Nine Months Ended September 30, 2018 and 2017

*(amounts in Canadian dollars)*

*(unaudited)*

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#### 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.