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

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.