STANDARD EXPLORATION LTD.

Condensed Interim Financial Statements

For the Three Months Ended March 31, 2016 and 2015

(unaudited)

May 25, 2016

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim financial statements of Standard Exploration Ltd. (the “Corporation”) were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation’s circumstances. The basis of preparation and significant accounting policies of the Corporation are summarized in notes 2 and 3 to the March 31, 2016 and 2015 unaudited condensed interim financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial position, financial performance and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Tom MacKay
Director

(signed)
David Richards
Director

NOTICE OF DISCLOSURE OF NO AUDITOR REVIEW

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

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

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

Standard Exploration Ltd.

Condensed Interim Balance Sheets

(amounts in Canadian dollars)

Assets	Notes	March 31, 2016 *(unaudited)*	December 31, 2015
Current assets			
Cash and cash equivalents		$ 814,313	$ 889,587
Accounts receivable	4(c)	101,157	102,026
Deposits and prepaid expenses	17	109,170	124,216
Total current assets		1,024,640	1,115,829
Exploration and evaluation assets	6	2,382,863	2,382,863
Property and equipment	7	4,027,982	4,157,793
Total assets		$ 7,435,485	$ 7,656,485
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4(d), 18	$ 323,922	$ 325,277
Flow-through share premium	10	-	-
Total current liabilities		323,922	325,277
Decommissioning provisions	8	1,318,241	1,327,657
Total liabilities		1,642,163	1,652,934
Shareholders' Equity			
Share capital	10	15,922,585	15,922,585
Contributed surplus	11	3,856,903	3,834,334
Deficit		(13,986,166)	(13,753,368)
Total shareholders' equity		5,793,322	6,003,551
Total liabilities and shareholders' equity		$ 7,435,485	$ 7,656,485

Contingency	4(d)
Commitments	10(b), 17
Subsequent event	4(d)

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 Months Ended March 31, 2016 and 2015

(amounts in Canadian dollars)

(unaudited)

	Notes	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Revenue			
Petroleum and natural gas sales, net of royalties	13	$ 142,883	$ 213,403
Expenses			
Exploration and evaluation	6	9,755	26,733
Production and operating		54,695	71,843
Transportation		16,704	20,947
Depletion and depreciation	7	129,811	143,776
General and administrative	16,18	138,787	112,614
Stock-based compensation	12(b)	22,569	88,071
Total expenses		372,321	463,984
Loss before the following:		(229,438)	(250,581)
Net finance income	14	(3,360)	3,129
Loss before income taxes		(232,798)	(247,452)
Deferred income tax recovery	9	-	(162,250)
Loss and comprehensive loss for the period		$ (232,798)	$ (85,202)
Loss per share	15		
Basic		($0.00)	($0.00)
Diluted		($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

Three Months Ended March 31, 2016 and 2015

(amounts in Canadian dollars)
(unaudited)

	Notes	Number of Shares	Share Capital Stated Value	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance at January 1, 2015		**121,234,854**	**$ 15,922,585**	**$ 3,665,865**	**$(11,618,585)**	**$ 7,969,865**
Stock-based compensation related to stock options	12	-	-	88,071	-	88,071
Net loss for the period		-	-	-	(85,202)	(85,202)
Balance at March 31, 2015		**121,234,854**	**$ 15,922,585**	**$ 3,753,936**	**$(11,703,787)**	**$ 7,972,734**
Stock-based compensation related to stock options	12	-	-	80,398	-	80,398
Net loss for the period		-	-	-	(2,049,581)	(2,049,581)
Balance at December 31, 2015		**121,234,854**	**$ 15,922,585**	**$ 3,834,334**	**$(13,753,368)**	**$ 6,003,551**
Stock-based compensation related to stock options	12	-	-	22,569	-	22,569
Net loss for the period		-	-	-	(232,798)	(232,798)
Balance at March 31, 2016		**121,234,854**	**$ 15,922,585**	**$ 3,856,903**	**$(13,986,166)**	**$ 5,793,322**

See accompanying notes to the unaudited condensed interim financial statements.

Standard Exploration Ltd.
Condensed Interim Statements of Cash Flows
Three Months Ended March 31, 2016 and 2015
(amounts in Canadian dollars)

(unaudited)

	Notes	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Cash and cash equivalents provided by (used in):			
Operating activities			
Loss for the period		$ (232,798)	$ (85,202)
Adjustments for:			
Depletion and depreciation		129,811	143,776
Stock-based compensation		22,569	88,071
Net finance income		3,360	(3,129)
Deferred income tax recovery		-	(162,250)
Exploration and evaluation expenses		-	-
Cash decommissioning expenditures		(13,959)	-
Changes in non-cash working capital	5	15,355	(476,103)
Net cash from (used in) operating activities		(75,662)	(494,837)
Investing activities			
Additions to exploration and evaluation assets		-	(2,738,242)
Additions to property and equipment		-	-
Changes in non-cash working capital	5	-	2,467,084
Net cash used in investing activities		-	(271,158)
Financing activities			
Interest received		1,183	9,071
Interest paid		-	(795)
Changes in non-cash working capital	5	(795)	74,965
Net cash from financing activities		388	83,241
Change in cash and cash equivalents		(75,274)	(682,754)
Cash and cash equivalents, beginning of period		889,587	4,127,948
Cash and cash equivalents, end of period		$ 814,313	$ 3,445,194

See accompanying notes to the unaudited condensed interim financial statements.

1. General business description

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

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2015 and 2014, except as outlined below. They have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the annual financial statements. The condensed interim financial statements should be read in conjunction with the Corporation's annual audited financial statements for the year ended December 31, 2015 and 2014.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on May 25, 2016.

3. Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the Corporation's audited financial statements for the year ended December 31, 2015 and 2014 except as noted below:

Future accounting pronouncements:

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

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

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

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

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

- *IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"*) provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 15 may have on the Corporation's financial statements.

- IFRS 16, "Leases" ("IFRS 16"). The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases on low-value assets are exempt from the requirement, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019 and is to be applied retrospectively. The Corporation has not determined the impact of the new standard on its financial statements.

4. Financial instruments and risk management

(a) Risk management overview

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and 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 accounts receivable, deposits, and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of those instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities.

Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, which can be substantially observed or corroborated in the marketplace. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents are measured at fair value based on a Level 1 designation.

(c) Credit risk

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

Cash and cash equivalents

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

Accounts receivable

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

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

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

Receivables from petroleum and natural gas marketers are generally collected on the 25th day of the month following production and sale. Management of the Corporation believes the risk is mitigated by the size and reputation of the companies to which they extend credit. During 2016 and 2015, the Corporation has not experienced any collection issues with its marketers.

During the three month period ended March 31, 2016 and year ended December 31, 2015, the Corporation sold a substantial portion of its production to two marketers. Sales to these customers aggregated approximately $162,112 or 100% (December 31, 2015 - $1.12 million or 100%) of total petroleum and natural gas sales. At March 31, 2016, amounts due from these customers included in accounts receivable totalled $69,398 (December 31, 2015 - $77,142).

(amounts in Canadian dollars)

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

	March 31, 2016	December 31, 2015
Petroleum and natural gas sales	$ 77,528	$ 77,142
Joint interest partners and other	2,025	1,790
GST	21,510	21,526
Other	94	1,568
	$ 101,157	$ 102,026
0 to 30 days	$ 69,492	$ 74,216
31 to 60 days	8,365	13,291
61 to 90 days	-	-
Greater than 90 days	23,300	14,519
	$ 101,157	$ 102,026

The Corporation considers amounts greater than 90 days past due and establishes an allowance for doubtful accounts based on management's assessment of collection. Therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. During the three month period ended March 31, 2016, the Corporation recorded bad debt of $Nil (year ended December 31, 2015 - $2,334) related to one joint interest partner in receivership. The bad debt has been included in general and administrative expense for the year ended December 31, 2015.

Deposits

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

d) Liquidity risk

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

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

Accounts payable and accrued liabilities

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

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

	March 31, 2016	December 31, 2015
Capital expenditures	$ -	$ -
General and administrative	50,845	65,256
Operating	241,469	229,261
Other	31,608	30,760
	$ 323,922	$ 325,277
0 to 30 days	$ 89,913	$ 101,111
31 to 60 days	16,086	19,112
61 to 90 days	6,077	5,610
Greater than 90 days	211,846	199,444
	$ 323,922	$ 325,277

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

(e) Market risk

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

Foreign currency risk

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

As at and for the three month period ended March 31, 2016 and year ended December 31, 2015, the Corporation had no forward foreign exchange contracts in place nor any working capital items denominated in foreign currencies.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate cash flow risk as its cash deposits bear interest at variable rates For the three month period ended March 31, 2016, a 1% increase in interest rates would increase income by approximately $5,000 (year ended December 31, 2015 - $7,000).

Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the levels of supply and demand. The Corporation's management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate.

As at and during the three month period ended March 31, 2016 and year ended December 31, 2015, the Corporation had no contracts in place to mitigate the exposure to future commodity price fluctuations and has no other financial instruments outstanding that are subject to commodity price risks.

(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.

(amounts in Canadian dollars)

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

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

	March 31, 2016	December 31, 2015
Current assets	$ 1,024,640	$ 1,115,829
Current liabilities	(323,922)	(325,277)
Working capital	**$ 700,718**	**$ 790,552**

The Corporation is not required to meet any financial covenants and is not subject to any other externally imposed capital requirements. There has been no change to management's approach to managing capital during the three month period ended March 31, 2016 and year ended December 31, 2015.

5. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three Months Ended March 31, 2016	Year Ended December 31, 2015
Sources (uses) of cash:		
Accounts receivable	$ 869	$ 86,194
Deposits and prepaid expenses	15,046	23,726
Accounts payable and accrued liabilities	(1,355)	(237,814)
	$ 14,560	$ (127,894)
Related to operating activities	$ 15,355	$ 148,596
Related to investing activities	-	(277,285)
Related to financing activities	(795)	795
	$ 14,560	$ (127,894)

During the year ended December 31, 2015, the decrease in accounts payable and accrued liabilities of $45,000 relating to financing activities is a non-cash transaction as this relates to the revaluation of the contingent liability (note 4(d)).

(amounts in Canadian dollars)

6. Exploration and evaluation assets and expenses

Balance at December 31, 2014	$ 689,357
Additions	2,960,971
Transfers to exploration and evaluation expenses	(1,370,513)
Decommissioning provisions	103,048
Balance at December 31, 2015	$ 2,382,863
Additions	-
Balance at March 31, 2016	$ 2,382,863

No general and administrative or borrowing costs were capitalized during the three month period ended March 31, 2016 or year ended December 31, 2015.

During the year ended December 31, 2015, transfers to exploration and evaluation expenses included a $1,366,421 impairment charge related to drilling costs on a well in the Reagan area, having a recoverable amount of $Nil, as there are no substantive expenditures or further exploration budgeted or planned for the well.

Exploration and evaluation expenses during the three month period ended March 31, 2016 included land costs of $7,899 and drilling costs of $1,856 (year ended December 31, 2015 included $65,765 of preliminary exploration, drilling, and geological costs that were charged directly to exploration and evaluation expense, and $26,904 relating to increases in decommissioning provisions (note 8).

(amounts in Canadian dollars)

7. Property and equipment

	Petroleum and natural gas interests	Well and production equipment and facilities	Corporate and other	Total
Cost				
Balance at December 31, 2014	$ 7,508,858	$ 2,638,272	$ 41,965	$ 10,189,095
Additions	-	-	-	-
Decommissioning provisions	850	-	-	850
Balance at December 31, 2015	$ 7,509,708	$ 2,638,272	$ 41,965	$ 10,189,945
Additions	-	-	-	-
Decommissioning provisions	-	-	-	-
Balance at March 31, 2016	$ 7,509,708	$ 2,638,272	$ 41,965	$ 10,189,945
Accumulated depletion and depreciation and impairments				
Balance at December 31, 2014	$ (4,702,356)	$ (681,773)	$ (41,965)	$ (5,426,094)
Depletion and depreciation	(417,794)	(139,264)	-	(557,058)
Impairment	(49,000)	-	-	(49,000)
Balance at December 31, 2015	$ (5,169,150)	$ (821,037)	$ (41,965)	$ (6,032,152)
Depletion and depreciation	(97,358)	(32,453)	-	(129,811)
Balance at March 31, 2016	$ (5,266,508)	$ (853,490)	$ (41,965)	$ (6,161,963)
Net book value:				
At December 31, 2014	$ 2,806,502	$ 1,956,499	$ -	$ 4,763,001
At December 31, 2015	$ 2,340,558	$ 1,817,235	$ -	$ 4,157,793
At March 31, 2016	$ 2,243,200	$ 1,784,782	$ -	$ 4,027,982

The depletion and depreciation calculation for the three month period ended March 31, 2016 and year ended December 31, 2015 included $Nil in future development costs.

At December 31, 2015, the Corporation tested its CGUs for impairment. 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 of disposal. The estimates of fair value less costs of disposal were determined by management based on forecasted cash flows, using a discount rate of 10%, incorporating escalated prices and future development costs. The forecasted cash flows and prices used to estimate the fair value less costs of disposal were based on those determined by the Corporation's independent reserve engineers.

(amounts in Canadian dollars)

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

During the year ended December 31, 2015, the Corporation recognized net impairments on the following CGU:

	December 31, 2015	December 31, 2015 Recoverable Amount
Claresholm	$ 49,000	$ 539,000
	$ 49,000	

Key assumptions in the determination of cash flows from reserves include petroleum and natural gas prices and the discount rate applied to cash flows from proved and probable reserves. A 2.0% increase in the discount rate over the life of the reserves independently would increase the impairment losses by approximately $230,000 for the year ended December 31, 2015.

The benchmark and Corporation actual forecast prices on which the December 31, 2015 impairment tests were based are as follows:

December 31, 2015

	Oil	
	Benchmark Edmonton Par Cdn$/bbl	**Company Average** Cdn$/bbl
2016	55.86	38.35
2017	64.00	47.04
2018	68.39	51.14
2019	73.75	56.43
2020	78.79	61.55
2021	82.35	65.15
2022	88.24	70.86
2023	94.12	76.29
2024	96.48	79.31
2025	98.41	80.86

The benchmark prices increase at rates of approximately 2% per year after 2025. 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 $1,586,115 at March 31, 2016 (December 31, 2015 - $1,588,691), which have been discounted using risk-free rates ranging between 0.45% to 2.10% at March 31, 2016 (December 31, 2015 – 0.48% to 2.15%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 19 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 three month period ended March 31, 2016 and year ended December 31, 2015:

	March 31, 2016	**December 31, 2015**
Decommissioning provisions, beginning of period	$ 1,327,657	$ 1,176,262
Liabilities incurred	-	128,810
Revisions to estimates	-	1,992
Liabilities settled	(13,959)	-
Accretion (unwinding of discount) (note 14)	4,543	20,593
Decommissioning provisions, end of period	$ 1,318,241	$ 1,327,657

Changes in estimates and assumptions for the three month period ended March 31, 2016 and year ended December 31, 2015 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.

The risk-free rate used in the calculation of the net present value has a significant impact on the carrying value of decommissioning liabilities. A 1.0% increase in the risk-free rate would decrease the decommissioning liability by approximately $118,000.

During the three month period ended March 31, 2016, the Corporation incurred $13,959 in cash decommissioning costs at its Redwater, Alberta property.

9. Income taxes

Non-capital tax losses of approximately $14.5 million at March 31, 2016 (December 31, 2015 – $14.4 million) will expire in future years ranging from 2023 - 2035. In addition, the Corporation has approximately $6.85 million in resource tax pools and undepreciated capital costs and $58,000 in undeducted share issuance costs at March 31, 2016 deductible against future taxable income for which no benefit has been recognized in the financial statements.

(amounts in Canadian dollars)

An unrecognized deferred tax asset of $4,256,833 has not been recorded at December 31, 2015 due to the uncertainty of realization.

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, 2014 and 2015	121,234,854	$ 15,922,585
Balance, March 31, 2016	121,234,854	$ 15,922,585

11. Warrants

As at March 31, 2016 and December 31, 2015, the Corporation had Nil share purchase warrants outstanding.

12. Stock-based compensation

(a) Stock option plan

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

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

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

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

(amounts in Canadian dollars)

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

	Three months ended March 31, 2016		**Year ended December 31, 2015**	
	Number	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
Outstanding, beginning of period	8,500,000	$0.06	3,500,000	$0.06
Granted	-	-	5,000,000	$0.05
Outstanding at end of period	8,500,000	$0.06	8,500,000	$0.06
Exercisable at end of period	5,966,667	$0.06	4,300,000	$0.06

The following table summarizes the expiry terms of the Corporation's outstanding stock options as at March 31, 2016:

Date of grant	**Outstanding Options**	**Weighted Average Remaining Contractual Life (years)**	**Number of Stock Options Exercisable**
July 3, 2013	900,000	2.2	900,000
April 1, 2014	2,600,000	3.0	1,733,333
February 24, 2015	5,000,000	3.9	3,333,334
	8,500,000	3.4	5,966,667

(b) Stock-based compensation expense

The Corporation recorded stock-based compensation expense of $22,569 during the three month period ended March 31, 2016 (year ended December 31, 2015 - $168,469) with a corresponding increase to contributed surplus.

(amounts in Canadian dollars)

The fair value of stock options granted during the year ended December 31, 2015 were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2015
Risk-free interest rate	0.74%
Expected volatility	185%
Expected life	5 years
Expected dividend yield	0%
Estimated forfeiture rate	0%
Fair value per option	$0.03
Share price on date of grant	$0.035

A forfeiture rate of Nil% was used when recording stock-based compensation as it was expected, at the grant dates, that all officers, directors, employees and consultants would continue with Corporation over the vesting period. Estimates are adjusted each period to the actual forfeiture rate. Future volatility has been calculated based on the history of the Corporation's share trading activity.

13. Petroleum and natural gas revenue

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Petroleum and natural gas sales	$ 158,134	$ 264,588
Less: royalties	(15,251)	(51,185)
	$ 142,883	$ 213,403

14. Finance income and expenses

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Finance income		
Interest income on cash and cash equivalents	$ 1,183	$ 9,071
Revaluation of the contingent liability (note 4(d)	-	-
Finance expenses		
Part XII.6 tax on flow-through share expenditures	-	(794)
Accretion of decommissioning provisions (note 8)	(4,543)	(5,148)
Net finance income	$ 3,360	$ 3,129

(amounts in Canadian dollars)

15. Loss per share

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Weighted Average Common Shares Outstanding		
Basic	121,234,854	121,234,854
Diluted	121,234,854	121,234,854

The calculation of diluted loss per share for the three month periods ended March 31, 2016 and 2015 excludes the effect of all outstanding stock options as they are anti-dilutive.

16. Personnel expenses

The total remuneration for employees, consultants, officers and directors included in general and administrative expenses and stock-based compensation expense was as follows:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Salaries, benefits, consulting fees and director fees	$ 101,522	$ 104,991
Stock-based compensation (note 12(b))	22,569	88,071
	$ 124,091	$ 193,062

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

The executive officers during 2015 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 stock option program.

(amounts in Canadian dollars)

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Salaries, benefits, consulting fees and director fees	$ 88,000	$ 87,000
Stock-based compensation (note 12(b))	22,569	88,071
	$ 110,569	$ 175,071

17. Commitments

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

During the year ended December 31, 2014, the Corporation entered into a farmout and option agreement to earn a working interest in certain lands in the Reagan area. The Corporation was required to spud two test wells prior to March 15, 2015. The Corporation met this commitment to spud two test wells.

As at March 31, 2016, the Corporation had an outstanding letter of credit of $88,800 (December 31, 2015 - $88,800) relating to an abandonment deposit held by the Saskatchewan Ministry of Energy and Resources.

18. Other related party transactions

During the three month period ended March 31, 2016, professional fees of $4,566 (March 31, 2015 - $9,170) 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 March 31, 2016 (March 31, 2015 - $9,170).

During the three month period ended March 31, 2016, director fees of $1,000 March 31, 2015 - $Nil) were incurred to non-executive directors of the Corporation (note 16). Of this amount, $1,000 is included in accounts payable and accrued liabilities at March 31, 2016 (March 31, 2015 - $Nil).