



STRATA-X

ENERGY

Annual Report

For Year Ended
30 June 2018

Quarter Highlights

- Secured commitments for A\$1.355 million private placement at A\$0.05 per CDI following a 5 for 3 share Consolidation.
- Company submitted its Environmental Management Plan allowing Strata-X to drill and production test up to 20 wells - Approval expected in Q4 2018.
- Strata-X internal interpretation and mapping integrating public data has high-graded an area within the Serowe CSG fairway in central Botswana.
- Attributes of the high graded area are similar to the Walloon CSG play in Queensland, Australia.
- MHA Petroleum Consultants have calculated a Prospective Resource of 3.3 TCF (Trillion Cubic Feet) net to Strata-X over the Serowe CSG Prospect. ⁽¹⁾

ASX disclosure note - 5.28.2 - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

(1) Prospective Resources figures are from an audit report prepared by MHA Petroleum Consultant, a qualified reserves auditor, dated and effective 26 March 2018 following their audit in accordance with the COGE Handbook of the available technical data including the geological interpretation, information from relevant nearby wells, analogous reservoirs and the proposed program for the Project, prepared and presented to MHA by Strata-X. Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development project. Prospective Resources have both an associated chance of discovery and a chance of development. A high level of uncertainty exists with the Prospective resources given the lack of historical drilling, available data and other productivity factors that limit the economic viability of coal seam gas deposits. The Report reviewed only Prospective Resources as the project is not sufficiently developed to assign Contingent Resources or additional Petroleum Reserves to it. Stated Prospective Resource figures are Best Estimate – undiscovered natural gas quantities and net of a royalty and are shown at a 100% working interest in the Project. The total costs associated with establishing the commerciality of this project are unknown at this time given the early stage of the Project's development. There is no certainty that any portion of the resources will be discovered, if discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Traded on the Australian Securities Exchange (ASX) under the symbol "SXA" and on the TSX Venture Exchange (TSX.V) under the symbol "SXE"

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- TSX Venture Exchange (TSX-V)
- Australian Securities Exchange (ASX)

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Directors

Mr. Ron Prefontaine –
Chairman of the Board of Directors

Mr. Tim Hoops –
President and Managing Director

Mr. Dennis Nerland –
Non Executive Director

Mr. Bohdan (Don) Romaniuk –
Non Executive Director

Mr. Greg Hancock –
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Company Management

Mr. David Hettich –
Chief Financial Officer

Company Secretaries

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Disclaimer

The following Management Discussion and Analysis (the "MD&A") for Strata-X Energy Ltd. (hereinafter, "Strata-X Energy", "Company" or "Strata-X") prepared as of 24 September 2018, should be read together with the consolidated financial statements for the year ending 30 June 2018 and related notes appended thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in United States dollars unless otherwise indicated. Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements.

Certain information contained in this MD&A constitutes "forward-looking information" within the meaning of applicable Canadian securities legislation. The use of any of the words "anticipate", "continue", "estimate", "intend", "potential", "expect", "may", "will", "project", "proposed", "should", "believe" and similar expressions are intended to identify forward-looking information. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. The Company believes that the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon. Such information speaks only as of the date of this MD&A or such other date indicated herein. In particular, this MD&A contains forward-looking information pertaining to the following: expectations regarding growth of the Company; the timing and location of drilling or other operational activities; oil and natural gas production estimates and targets; oil and natural gas production levels and sources of their growth; estimates of resource potential of targets, including without limitation, statements regarding BOE/d production capabilities; quantity of reserves and resources relating to the Company and its assets and its value; capital expenditure programs and estimates relating to timing, cost and cash flow generation related to these programs; size of the Company's oil and natural gas reserves and resources; the performance characteristics of the Company's oil and natural gas properties; projections of market prices for oil and natural gas and exploration, development and production costs; supply and demand for oil and natural gas; expectations regarding the ability to raise capital and continually add to reserves through exploration and development and, if applicable, acquisitions; treatment under governmental regulatory regimes and tax laws; and, the use of financing funds by the Company.

With respect to forward-looking information contained in this document, the Company has made assumptions regarding, among other things: timing and ability of the Company to obtain all necessary environmental and regulatory approvals relating to operations; the recoverability of the Company's oil and natural gas reserves and resources; interest rates; exchange rates and the futures prices of oil and natural gas; operating and capital costs; the Company's ability to generate sufficient cash flow from operations and to access capital markets to meet its future obligations; the Company's ability to attract and retain qualified personnel; the ability of the Company to successfully market its oil and natural gas products and the continuing demand for oil and natural gas; and stability of general economic and financial market conditions.

The Company's actual results could differ materially from those anticipated in such forward-looking information as a result of the risk factors set forth below and in the Company's annual information form dated 24 September 2018 including: volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves and resources; risks and uncertainties associated with the Company's oil and natural gas and development program; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions and exploration and development programs; adverse claims made in respect of the Company's properties or assets; failure to engage or retain key personnel; geological, technical, drilling and processing problems, including the availability of equipment and access to properties; risks and uncertainties relating to hydraulic fracturing and the enactment of, or changes to, regulations and legislation in relation to hydraulic fracturing; imprecision in estimating capital expenditures and operating expenses; the expiry of leases and the loss of drilling prospects due to the expiry of leases; fluctuations in foreign exchange rates and stock market volatility; general economic and business conditions in North America and elsewhere; environmental risks and hazards; risks inherent in the exploration, development and production of oil and natural gas which may create liabilities to the Company in excess of the Company's insurance coverage, if any; uncertainties associated with changes in legislation including, but not limited to, changes in income tax laws and to oil and natural gas royalty frameworks; ability to obtain regulatory approvals; risks and uncertainties associated with liquidity and capital resources and requirements; and other factors referenced at "Risk Factors" in the Company's annual information form dated 24 September 2018.

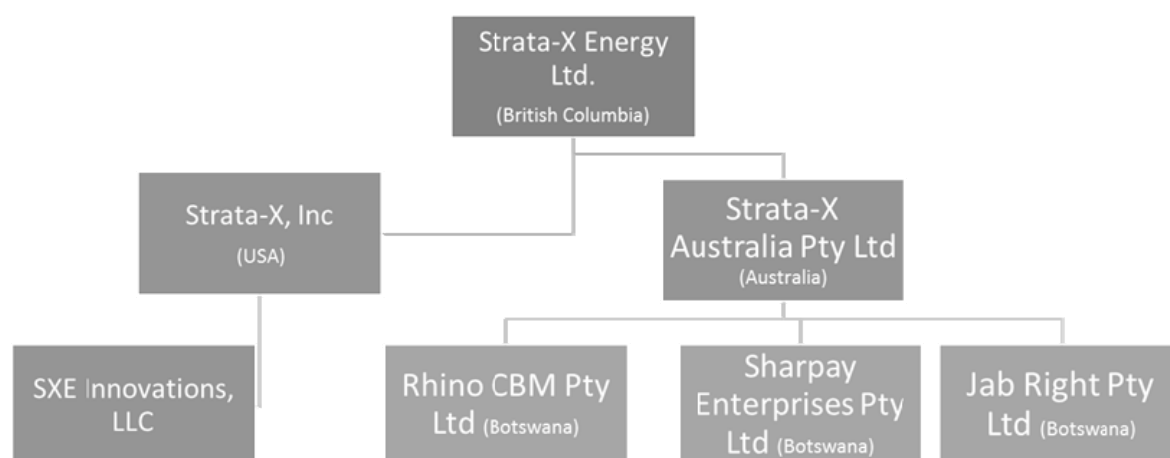
These factors are not, and should not be construed as being exhaustive. In addition, information relating to "reserves" or "resources" is deemed to be forward-looking information, as it involves an implied assessment, based on certain estimates and assumptions that the reserves and resources described can be profitably produced in the future. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking information after the date of this MD&A to conform to actual results or to changes in the Company's expectations except as otherwise required by applicable Canadian securities legislation.

Description of Business

Strata-X Energy Ltd, together with its wholly-owned subsidiaries, Strata-X, Inc. and Strata-X Australia Pty Ltd, is an independent oil and gas exploration company listed on the TSX Venture Exchange (TSX-V) under the symbol "SXE" and the Australian Securities Exchange (ASX) under the symbol "SXA". Incorporated in British Columbia, Canada, Strata-X Energy has a diversified portfolio of high growth potential petroleum projects. The Company's strategy is to discover and develop oil and gas prospects with relatively low entry costs, a meaningful acreage position and a large working interest so as to provide shareholders the opportunity for substantial growth.

In January 2017, Rhino CBM (Proprietary) Limited ("Rhino") was incorporated in accordance with the Companies Act of the Republic of Botswana for the purpose of facilitating a coal seam gas ("CSG") exploration and development project known to the Company as the 'Serowe Gas Project' or 'Serowe CSG Project'. In January 2018, the Rhino licenses were transferred to two new 100% Company owned Botswana subsidiaries, known as Sharpay Enterprises Pty Ltd and Jab Right Pty Ltd, to hold the CSG prospecting licenses in the Republic of Botswana. The shell company Rhino currently isn't being used by the Company. In 2018, the Company formed a 100% owned USA subsidiary to Strata-X, Inc, called, SXE Innovations, LLC to hold and own USA and foreign patents for innovations in oil and gas field equipment.

The corporate structure of the Company is as follows:



Corporate Events

The Effective 16 July 2018, the shareholders of the Company approved a 3 for 5 share consolidation prior to the private placement as per Note 20(b). The exercise price of outstanding stock options and warrants was proportionately adjusted based upon the consolidation ratio. On 16 July 2018, the Company completed a private placement of 10,900,000 CDI or common shares as the first tranche of an overall capital raise. The second tranche closed on 4 September 2018 with the placement of an additional 16,200,000 CDI, or common shares. Gross proceeds of \$1,003,000 were realized from the placements, and placement costs of \$61,000 were incurred in addition to the issuance of 210,000 common shares issued to the broker as finder fees. At 24 September 2018, the Company has 81,204,984 common shares outstanding post-share consolidation.

Company Outlook

An active 2018-2019 appraisal programme is planned for the Serowe Gas Project, where the Company retains a 100% interest in 680,000 acres in the heart of the Kalahari Basin. The 3.34 Tcf Prospective Resource tenement position directly offsets projects approved for commercial CSG development. The Serowe Gas Project will be the growth driver for the Company in 2018 and beyond as it executes on a staged exploration plan to delineate and prove the CSG resource. The initial focus of the Company's 2018 appraisal programme will be to production-test direct offset areas within the Company identified high-grade area, where ASX listed peers have converted more than 3 TCF of prospective resources into contingent resources.

During the appraisal programme, the Company will be seeking commercial market opportunities to sell the CSG resource within Botswana. The Republic of Botswana is moving to generate more electricity from clean resources like natural gas, along with searching for alternatives to coal and the widespread use of expensive imported diesel fuel. Along these lines, the initial market opportunities for the Company's natural gas will be gas-to-electric power plants and diesel-to-CNG conversions at large industrial facilities.

Strata-X continues to review its development options in the Illinois Basin where the Company has 2P reserves of 1.332 million barrels net.* The Company plans to either bring projects forward in the Illinois Basin over the next year or seek to farm out the opportunities providing Strata-X shareholders upside value. Consistent with the above approach, the Company is continuously reviewing project opportunities that will be accretive and complimentary to management's skillset and build shareholder value.

For the quarter ended 30 June 2018, the Company invested ~USD\$4,000 in the Illinois Basin Oil Project, principally on project maintenance and ~USD\$344,916 into the Serowe CSG Project mainly on buy out payments and expenses related to completing the EMP.

*Information originally appears in the Company's NI 51-101 Report for FYE 2018 which is available for review at www.strata-x.com

Production Summary

For the three months ended 30 June 2018, oil production to the Company's net revenue interest was down 84% to 67 barrels (bbls) compared to 424 bbls for the three months ended 30 June 2017. The decrease in oil production is attributable to the Burkett 5-34HOR being offline. For each of the three month periods ended 30 June 2018 and 30 June 2017, no natural gas was sold.

For the twelve months ended 30 June 2018, oil production to the Company's net revenue interest was down 79% to 723 bbls compared to 3,419 bbls for the twelve months ended 30 June 2017. The Burkett 5-34HOR was substantially the only well on production for the Company during the period with the exception of insignificant production from minor vertical wells. For each of the twelve month periods ended 30 June 2018 and 30 June 2017, no natural gas was sold.

Total revenue for the three months ended 30 June 2018 was \$4,480 compared to \$26,996 for the three months ended 30 June 2017, a decrease of 83%. The average daily production for the Company during the three months ended 30 June 2018 was less than one barrel of oil per day at an average realized sale price of \$66.14 per barrel of oil. Royalties per barrel of oil averaged \$9.90 (~15%), with production operating expenses for the period of \$33.16 per barrel of oil. The netback received by the Company per barrel of oil sold during the three months ended 30 June 2018 was (\$23.08). The high lease operating cost per barrel of oil, is attributable to expenditures related to ongoing repairs and maintenance of well that were experiencing production issues or are currently shut-in.

Total revenue for the 12 months ended 30 June 2018 was \$53,798 compared to \$167,264 for the twelve months ended 30 June 2017 a decrease of 67.8%. This decrease is attributable to lower production volumes. The average daily production for the Company during the twelve months ended 30 June 2018 was 1.98 bbls of oil at an average realized sale price of \$54.34 per barrel of oil. Royalties per barrel of oil averaged \$8.85, with production operating expenses for the period of \$58.80 per barrel of oil. The netback received by the Company per barrel of oil sold during the twelve months ended 30 June 2017 was (\$13.31).

Tenements

Project	Location	% Interest	Net Acres
Serowe CSG ⁽¹⁾	R. Botswana	100%	680,000
Illinois Oil	Illinois, USA	100%	1,400
Eagle	California, USA	23.9%	770
Total			682,170

During the quarter ended 30 June 2018, 67 net acres were dropped from the Illinois Oil Project. No further reductions of Strata-X tenement holdings are expected in calendar year 2018.

Serowe Gas Project

Features of Serowe CSG Project – Republic of Botswana

- Serowe CSG Project is a 100% owned 680,000 acre coal seam gas project in Botswana.
- Active 2018-2019 appraisal programme planned.
- Located in the heart of the Kalahari CSG Fairway.
- Environmental Management Plan submitted for approval that will allow Strata-X to drill and production-test up to 20 wells; approval expected in Q4 2018.
- Strata-X has substantial land holdings within the internally mapped high-grade area.
- MHA Petroleum Consultants have calculated a Prospective Resources of 3.3 TCF (Trillion Cubic Feet) net to Strata-X over the Serowe CSG Prospect. ⁽¹⁾
- Ample tenement term to establish production; tenement active into 2025.

ASX disclosure note - 5.28.2 - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The Serowe project is located in the Kalahari Basin CSG fairway in Botswana Africa, and offsets tenements of ASX peer TLOU (ASX:TOU). As announced on 2 January 2018, the Company pre-empted a third party offer to buy a 25% interest in those licenses totaling 273,000 acres with a 1.4Tcf Prospective Resource⁽¹⁾ and on March 6, 2018 the preemptive transaction was closed. As of the issuance of this report, all payments related to the buy-out have been made.

In January 2018, the Company's Prospecting Licenses held in the Republic of Botswana, covering the Serowe CSG Project, were re-issued until the end of 2025 opening the door to an active 2018 appraisal programme. In March 2018, the Company acquired two new Prospecting Licenses for its Serowe CSG Project covering 406,735 acres. In total, the Company holds approximately 680,000 acres in the 100% owned Serowe Gas Project. With the addition of the offsetting prospecting licenses acquired in March 2018, the Company increased the Prospective Gas Resources in the Serowe CSG Project, located within the Botswana CSG fairway, to 3.3 TCF.

Strata-X currently holds the tenements through its Republic of Botswana subsidiaries, Sharpay Enterprises Pty Ltd. and Jab Right Pty Ltd.

The Company initiated environmental surveys to complete an Environmental Management Plan ("EMP") for its 2018-2019 drilling and testing programme in February 2018 with the selection of EcoSurv Environmental Consultants of Gaborone, Botswana. EcoSurv has extensive experience in environmental management surveys and plans in Botswana in both the energy and mining arenas. In June 2018, Strata-X submitted the final EMP report, and it is expected that final approval will be granted in the fourth quarter of 2018. EcoSurv has completed other CSG plans which should serve the Company's efforts well and provide a timely report for approval by the Government.

Upon approval of the EMP, the Company will move forward with an active drilling and testing programme. The appraisal program is designed to prove commercial completion methods and convert resources to reserves in a

Company-interpreted high-graded area within the CSG fairway. Within the high-graded area, some previously drilled wells flowed or bubbled free gas from the target coal reservoir. This can only occur with 100% gas saturations. The target coal seam within the sweet spot ranges from 8 to over 12 metres in thickness.

To further compliment the high-graded area appraisal, the Company plans to apply the latest completion and production methods designed to yield commercial gas flow rates. The Company has access to the resources of Wellpro Services, a private Queensland based service company with expertise in CSG well completions and production methods. Wellpro has proprietary methods and equipment designed to minimize the time to commercial gas flow rates which the Company intends to apply to the target coal seam within the high-graded area. The Company also intends to use the services of QTEQ, a service company that has recently developed specialized wireline logging, to help fast track reserve certification.

The Republic of Botswana is one of the oldest democracies in Africa, becoming independent in 1966. The rule of law is well established and long-standing, and Botswana is recognized as having the lowest rate of corruption in Africa. The geography of the project area is predominantly flat with good road access. These factors, combined with a 3% government royalty on produced gas, make Botswana one of the more favorable economic settings in the world for natural resource development. The growing demand for power in Botswana and neighboring countries offers immediate and expanding domestic gas markets.

The Serowe Gas Project is an underexplored and underdeveloped opportunity, covering the coal seam gas deposit fairway in the Republic of Botswana. The economies of the Republic of Botswana and its regional neighbors are rapidly growing with energy demand poised to skyrocket. The Republic has set goals for promoting the exploration and development of natural gas resources in the county to meet these demands.

(1) Prospective Resources figures are from an audit report prepared by MHA Petroleum Consultant, a qualified reserves auditor, dated and effective 26 March 2018 following their audit in accordance with the COGE Handbook of the available technical data including the geological interpretation, information from relevant nearby wells, analogous reservoirs and the proposed program for the Project, prepared and presented to MHA by Strata-X. Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development project. Prospective Resources have both an associated chance of discovery and a chance of development. A high level of uncertainty exists with the Prospective resources given the lack of historical drilling, available data and other productivity factors that limit the economic viability of coal seam gas deposits. The Report reviewed only Prospective Resources as the project is not sufficiently developed to assign Contingent Resources or additional Petroleum Reserves to it. Stated Prospective Resource figures are Best Estimate – undiscovered natural gas quantities and net of a royalty and are shown at a 100% working interest in the Project. The total costs associated with establishing the commerciality of this project are unknown at this time given the early stage of the Project's development. There is no certainty that any portion of the resources will be discovered, and if discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Illinois Basin – USA

In December 2014, the Company drilled the Blue Spruce # 1, its first well in a multi-well drilling program in the Illinois Basin. The well, which reached a total depth of 3,280 feet, encountered multiple oil and gas shows in the targeted shallow Mississippian formations. The Company elected to case the well with 5.5-inch casing before releasing the drilling rig.

In January 2015, the Company mobilized completion equipment to the location of the Blue Spruce # 1 to test the productivity of the well. After successfully testing two oil zones in the Blue Spruce # 1 well on the Illinois Shallow Oil Project, the well was set up for production in the Aux Vases formation. Blue Spruce # 1 was placed on production until April 2015 when it was determined its production would cease until additional facilities were installed to maintain pressure in the field via water flooding.

In a report dated 30 June 2018, Strata-X's independent engineer, Chapman Petroleum Engineering Ltd (Chapman), confirmed Proved plus Probable Reserves are 1.282 million barrels of light oil net to the Company on the Blue Spruce project. Strata-X currently has the rights to 720 net acres of the Blue Spruce project where it has identified 19 oil development locations. Chapman calculated a before tax Net Present Value (BTNPV disc 10%) of the Blue Spruce project to the Company of USD\$46.1 million (unrisked).⁽¹⁾

To increase oil recovery and oil flow rates, the Blue Spruce project will require water pressure maintenance involving water flooding of the Aux Vases formation. It is estimated that the waterflood development will extract approximately 40% of the Petroleum Initially In Place ("PIIP" unrisked) resulting in a projected recovery of 1.282 million barrels of oil net to Strata-X. Chapman estimates that once all wells are drilled, total oil production from the Blue Spruce waterflood development project will exceed 500 barrels of oil per day net to the Company.⁽¹⁾

Past water flooding projects in the Aux Vases formation in areas immediately adjacent to the Company's Blue Spruce Project have been successful. Previous yielded recoveries have been in excess of the forecasted 40% rate for Blue Spruce.⁽¹⁾ Following water flooding, tertiary recovery methods may also be considered by the Company which could further increase the recovery of the PIIP and oil reserves from the Blue Spruce oil field.

(1) Information originally appeared in the Company's FYE 2018 51-101 Reserve Report available for viewing at www.strata-x.com

Other Projects

Eagle Project

Kings County, California, USA

The Company now has a 23.9% working interest in 3,221 gross acres of land in the Eagle Project in the San Joaquin Valley area in California and is the operator of the project. One previously drilled well in the Eagle Project area encountered good oil shows in the Eocene Age Gatchell sands that tested up to 192 barrels of light oil and 427 Mcf of gas per day. Although light oil was recovered, the well was considered to be non-commercial at the time due primarily to formation damage by heavy drilling mud and cement squeezing. Subsequent activity on the prospect was met with mechanical issues despite continuing indications of oil shows in the primary target.

Financial Notes

Summary of Annual Results

Historical annual information is as follows:

	30 June 2018 (IFRS)	30 June 2017 (IFRS)	30 June 2016 (IFRS)
Revenue, net of royalties	\$53,798	\$167,264	\$134,243
Expenses	\$(1,686,830)	\$(1,111,987)	\$(974,269)
Other income and net finance expense	\$(28,816)	\$253,571	\$710,195
Impairment of oil and gas properties	\$0	\$(15,000)	\$(2,311,908)
Net Loss	\$(1,661,848)	\$(706,152)	\$(2,441,739)
Basic & diluted net loss per share (1)	\$(0.02)	\$(0.01)	\$(0.04)
Assets	\$12,249,475	\$13,451,366	\$13,515,577
Liabilities	\$1,003,385	\$783,271	\$1,281,280

(1) Basic and diluted net loss per share has been retrospectively restated to reflect the 3:1 share consolidation that was effective 23 November 2016.

Historical quarterly information is as follows:

	30 June 2018	31 March 2018	31 Dec 2017	30 Sep 2017	30 June 2017	31 March 2017	31 Dec 2016	30 Sep 2016
Total Assets	\$12,249,475	\$12,932,222	\$13,071,918	\$13,217,828	\$13,451,366	\$13,718,890	\$13,889,763	\$13,242,254
Revenue, net of Royalties	\$10,310	\$22,440	\$13,332	\$7,716	\$26,996	\$36,242	\$30,134	\$73,892
Net Income (Loss)	\$(1,252,636)	\$(102,202)	\$(159,222)	\$(147,788)	\$(35,603)	\$(173,778)	\$(287,431)	\$(209,340)
Basic & diluted net income (loss) per share (1)	(\$0.02)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)	\$0.00

(1) Basic and diluted net loss per share has been retrospectively restated to reflect the 3:1 share consolidation that was completed effective 23 November 2016.

Results of Operations

As noted above, total revenue for the quarter ended 30 June 2018 was \$10,310 compared to \$26,996 for the quarter ended 30 June 2017. The decrease is due to decreased oil production.

Production and exploration expenses for the quarter ended 30 June 2018 were \$23,976 compared to \$42,819 for the same quarter last year, consistent with the decrease in oil and gas revenues over the same period.

General and administrative expenses for the quarter ended 30 June 2018 increased by \$66,848 to \$237,200 from \$170,352 the same quarter last year. The increase is due to one-time office related expenditures.

Liquidity and Capital Resources

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS), which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company incurred a net loss of \$(1,661,848) for the year ended 30 June 2018.

Management has been and continues to be active in seeking additional means to sustain the Company's financial position during the current economic environment including but not limited to investigating potential partnership, merger and/or joint venture opportunities and acquiring and disposing of oil and natural gas properties. In addition, the Company continues to focus on moving forward with the Serowe CSG Project.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due depends on the success of the Company's exploration and development of its oil and gas properties, as well as the ability of the Company to obtain additional financing or equity to fund the exploration and development of those oil and gas properties. As discussed in the notes to the consolidated financial statements, subsequent to the year ended 30 June 2018, the Company was successful in completing a private placement generating USD\$942,000 after placement costs. The Company is actively engaged in farm-out discussions with third parties to sell a non-operated position in the tenements of the Serowe CSG Project. The Company cannot provide any assurance that sufficient cash flows will be generated from operating activities or that proceeds from other activities noted above will be able to sustain the Company's financial position.

The consolidated financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. In particular, adjustments would be required to the carrying value of the assets and liabilities, the reported profits and losses, and the balance sheet classifications used.

The Company is committed to a rental agreement for office premises to 31 May 2021 for a total commitment of \$96,160. As part of the Serowe CSG Project, the Company has committed to certain exploratory activity yearly milestones as well as proposed minimum expenditures in the amount of USD\$770,000 by 31 December 2020.

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at 30 June 2018 and as at the date hereof, a total of 89,825,208 common shares and CDis were issued and outstanding with a resulting share capital of \$36,955,438. The Company has 3,881,250 warrants and 8,400,000 stock options outstanding with 5,550,000 options exercisable as of 30 June 2018 and as at the date hereof.

The Company has established a Stock Option Plan (Plan) for the benefit of directors, officers, employees and consultants of the Company. Pursuant to the Plan, 10% of the issued and outstanding common shares have been reserved for options to be granted to the Company's directors, officers, employees and consultants. The vesting period and the exercise price of the options shall be determined by the Board of Directors. The period during which an option is exercisable shall be determined by the Board of Directors at the time of grant, but subject to the rules of the stock exchange or other applicable regulatory body.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

The Company utilizes the services of an outside firm the majority owner of which is a member of the board of directors of the Company. The contract with this firm for ongoing accounting, reporting and tax compliance services calls for monthly retainer payments of approximately \$4,100. During the year ended 30 June 2018, the Company incurred approximately \$48,800 (2017 - \$48,800) in costs with the outside firm for accounting services.

Summary of Significant Accounting Policies

The notes to the Company's 30 June 2018 annual consolidated financial statements describe the accounting policies and methods of computation used in preparing the Company's annual financial statements. The Company continues to assess the impact of adopting the pronouncements of the IASB as described in the Company's 30 June 2018 annual financial statements.

Financial Risk Management

The Company's activities are exposed to a variety of financial risks: interest rate risk, market risk, credit risk, liquidity risk and foreign exchange risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance. There have been no changes to these policies during the year ended 30 June 2018.

Market risk

The Company's exposure to financial market risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and foreign exchange risk. There have been no significant changes to the Company's market risks.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash and cash equivalents and other assets. The Company is exposed to interest rate risk arising from fluctuation in interest rates related to its note payable with a related party. Management does not believe this risk is significant.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of a change in foreign exchange rates. The Company cannot give any assurance that any future movements in the exchange rates of the U.S. dollar against the Canadian dollar, the Australian dollar and the Botswana pula will not adversely affect the financial statements. The Company does not use derivative

instruments to reduce its exposure to foreign currency risk. Management does not believe this risk is significant as minimal working capital balances are maintained in foreign currencies.

Credit risk

The Company's exposure to credit risk relates to cash and cash equivalents, accounts receivables and other assets and arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk and concentration risk by keeping the majority of its cash and cash equivalents and other assets with major chartered banks. The Company performs continuous evaluation of its accounts receivables and records an allowance for doubtful accounts when determined necessary. The Company's maximum exposure to credit risk is equal to the carrying value of these financial assets being \$529,481 at 30 June 2018 (2017 - \$1,283,012). It is management's opinion that the level of credit risk is low due to the credit-worthiness of the counterparties involved and that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business. As of 30 June 2018, 97% (2017 – 95%) of carrying value relates to amounts held in chartered banks.

As of 30 June 2017, the Company recorded an allowance for doubtful accounts of \$156,090 related to an amount due from a project operator that was greater than 90 days outstanding. During the year ended 30 June 2018, the allowance was taken against the amount due. At 30 June 2018, there are no amounts past due included in accounts receivable.

Critical Accounting Estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, 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 paragraphs discuss management's most critical assumptions, estimates and judgments in the preparation of the consolidated financial statements.

Key sources of estimation uncertainty

Recorded amounts for impairment, depletion and depreciation of oil and gas properties, the provision for decommissioning liabilities and the recognition of deferred tax assets due to changes in expected future cash flows are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions. The Company's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities*.

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

The amounts recorded relating to the fair value of stock options issued are based on estimates of the future volatility of the Company's share price, expected lives of the options or warrants, expected dividends, expected forfeiture rates, risk-free interest rates and other relevant assumptions.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. The availability of tax pools and other deductions are subject to audit and interpretation of taxation authorities.

Control Certification

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure information required to be disclosed by the Company is accumulated and communicated to management to allow for timely decisions regarding required disclosures. The Company carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures as of 30 June 2018. The evaluation was carried out under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the effectiveness of the Company's disclosure controls and procedures as at year-end, that the Company's disclosure controls and procedures are ineffective to ensure that information required to be disclosed by the Company is (i) recorded, processed, summarized and reported within the time periods specified by Canadian securities law and (ii) accumulated and communicated to the Company's Management, including its Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. It should be noted that while the Company's Chief Executive Officer and the Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will necessarily prevent all error and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The Company identified the following ongoing material weakness that applies to both disclosure controls and procedures and internal control over financial reporting:

Due to the limited size of the Company, Strata-X does not have sufficient resources for reviewing the financial statements and cannot maintain adequate segregation of duties as is necessary to absolutely ensure complete and accurate financial reporting. Specifically, the Company's Chief Financial Officer is responsible for preparing, authorizing and reviewing information that is integral to the preparation of financial reports and is also responsible for day-to-day accounting. He is also responsible for preparing and reviewing the resulting financial reports. This weakness has the potential to result in material misstatement in the Company's consolidated financial statements that would not be prevented or detected and, as such, has been determined to be a material weakness in internal controls over financial reporting, which also affects the Company's disclosure controls and procedures.

As of the date of this report, Management has not yet developed a plan to remediate the material weakness. Management has concluded that, taking into account the present state of the Company's development, the Company does not have sufficient size and scale to warrant, and cannot reasonably justify, the expenditure for curing the material weakness given Management's view of the perceived risk in the material weakness.

Internal Controls over Financial Reporting

The Company's Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, a system of internal controls over financial reporting to provide reasonable assurances regarding the reliability of the Company's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. As at the financial year-end of the Company, such officers have evaluated, or caused to be evaluated under their supervision, the Company's internal controls over financial reporting and have determined that such internal control system is ineffective for the foregoing purposes. The Company is required to disclose herein any change in its internal controls over financial reporting during the period that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No change in the Company's internal controls over financial reporting was identified during such period that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. It should be noted that a control system, including the Company's disclosure and internal control procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors and fraud.

Future Changes in Accounting Policies

The following standards have been issued but are not yet effective:

IFRS 9-Financial Instruments ("IFRS 9")

IFRS 9 provides guidance on recognition and measurement and impairment into a single model that has two classifications: amortized cost and fair value. The new standard also requires a single-forward looking "expected-loss" impairment method to be used. The Company has determined that IFRS 9 will not result in any material changes to its classification of financial assets or liabilities, nor will it have a material impact to the measurement and carrying value of the Company's financial instruments. The Company anticipates there will be additional disclosures related to its financial instruments. The standard will come into effect for annual periods beginning on or after January 1, 2018.

IFRS 15-Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 provides a comprehensive revenue recognition and measurement framework that applies to all contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company will retrospectively adopt IFRS 15 on January 1, 2018. The Company has completed the review of its various revenue streams and underlying contracts with customers. The Company has concluded that the adoption of IFRS 15 will not have a material impact on the Company's net income and financial position. The Company anticipates there will be additional enhanced disclosures related to revenue.

IFRS 16-Leases ("IFRS 16")

IFRS 16 provides for a single recognition and measurement model for leases, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019. The Company is still finalizing its assessment as to whether or not this standard will have a material impact on the Company's consolidated financial statements.

Other Company Information

Additional disclosure information for Strata-X Energy Ltd. can be located in its latest Annual Management Discussion and Analysis, Annual Information Form and Audited Financials for the year ended 30 June 2018. All documents are available on SEDAR and the Company's website.

Tim Hoops

CEO, President and Managing Director

David Hettich

Chief Financial Officer

Directors Report

The Directors of Strata-X (Canadian entity) and the entities it controls, Strata-X, Inc (United States of America entity) and Strata-X Australia Pty Ltd (Australian entity) (collectively "Company" or "Strata-X") at the end of, or during, the fiscal year ended 30 June 2018.

Directors and Secretaries

The following persons were directors and secretaries of Strata-X Energy Limited during the financial year and up to the date of this report, unless otherwise stated:

Ron Prefontaine - (Chairman)

Ron Prefontaine has over 35 years of experience in the oil and gas industry. He received his Bachelor of Science in Geophysics from the University of British Columbia in 1979 and worked in Calgary until he was head hunted by Santos in 1981. At Santos, he worked on their Cooper, Surat, Bowen and Canning Basin projects until 1984. Over the next 10 years he held senior and management positions for Pancontinental Petroleum and Oil Company of Australia.

Between 1994 and 2001, while consulting to the industry, he acquired several petroleum permits in his private companies which he sold or farmed out to Oilex, Arrow Energy, Bow Energy and QGC. He served as an Executive Director of Arrow Energy until 2005 and was a co-founder and Managing Director of Bow Energy. Arrow Energy was taken over in 2010 for \$3.5 billion, while Bow was taken over in 2011 for \$550 million.

Mr. Prefontaine's strengths are the early recognition of growth assets and the management of corporate growth. In 2009 Ron received a lifetime achievement award in recognition of his services to the Australian petroleum industry.

During the past three years Mr. Prefontaine has not served as a director of any other ASX listed entity.

Tim Hoops - (Managing Director)

Tim Hoops has over 35 years' experience in the petroleum industry and has been President of Peak Resource Management Inc., a private oil and gas exploration company, since 1986. He was also President and Director of Kestrel Energy Inc., a NASDAQ listed company, from 1992 to 2005, and a director of Victoria Petroleum NL (now Senex Energy Ltd), an ASX listed company, from 1988 to 2008.

Mr. Hoops served as a key member of the asset acquisition team of Santa Fe Energy which operated in the Green River Basin, Wyoming and the Paradox Basin, Colorado/Utah. He was Exploration Manager at Royal Resources and managed the company's exploration activities in the Canning Basin from 1984 to 1986 and previously worked for Amoco Production Company.

Mr. Hoops' strengths include the early recognition of growth petroleum assets, resource valuation and project management. He has a Bachelor of Science in Geological Engineering from the Colorado School of Mines and a Master of Science in Global Energy management from the University of Colorado. He is also a member of the American Association of Petroleum Geologists, Rocky Mountain Association of Geologists and is a Wyoming Certified Petroleum Geologist.

Mr Hoops has not served as a director of any other ASX listed entities in the last 3 years. Mr. Hoops is a member of the Remuneration Committee.

Dennis Nerland - (Non-Executive Director)

Mr. Nerland has been a partner with the Calgary-based tax and business law firm Shea Nerland Calnan LLP since 1990 practicing in the areas of tax and trust law. Mr. Nerland is a current and past director of a number of private investment companies, a number of private operating companies and a number of public companies listed on the TSX Venture Exchange and the Toronto Stock Exchange. Mr. Nerland has a Bachelor of Laws from the University of Calgary, a Master of Arts (Economics) from Carleton University and a Bachelor of Science (Economics and Mathematics) from the University of Calgary. He is a member of the Law Society of Alberta, the Canadian Tax Foundation, the Calgary Bar Association, the Canadian Bar Association, and the Society of Trust and Estate Practitioners, achieving the TEP designation. Mr. Nerland has also completed the Directors Education Program, jointly developed by the Institute of Corporate Directors (ICD) and Rotman School of Management, and has earned his ICD.D designation. He also completed the Rotman Financial Literacy Program for Directors and Executives and received the designation of Queen's Counsel ("Q.C.") in Alberta in 2014.

Mr. Nerland has not served as a director of any other ASX listed entities in the last 3 years. Mr. Nerland is a member of the Audit and Risk Management Committee.

Tim Bradley - (Non-Executive Director) Resigned effective August 21, 2018

Tim Bradley has been CEO and a principal of Bradley Consulting Group, PC in Lakewood, Colorado since 1983, and is a Non-Executive Director of Strata-X Energy. Mr Bradley was also CFO of the Company until May 2013. His professional emphasis is in business consulting, including investment and retirement planning. He specialises in succession planning for the purposes of mergers and acquisitions, shareholder dissents, buy/sell agreements, estate planning and wealth management. He particularly focuses on these services for owner-managed and family-owned businesses. Industry experience includes oil and gas, construction, professional service organizations, manufacturing, wholesale and retail distributors and real estate development. Mr Bradley is a Certified Public Accountant licensed in Colorado, a member of the American Institute of Certified Public Accountants and the Colorado Society of Certified Public Accountants. He received his Bachelor of Science in Accounting from the University of Northern Colorado.

Mr Bradley has not served as a director of any other ASX listed entities in the last 3 years.

Bohdan (Don) Romaniuk - (Non-Executive Director)

Bohdan (Don) Romaniuk is an attorney, economist and business executive and serves as an independent director for Strata-X Energy. He has held a number of senior executive positions in both small and very large enterprises over a business career spanning nearly 30 years. Mr Romaniuk has extensive Board and Audit Committee experience with both public and private companies and continues to serve as Chairman of the Board and Audit Committee of Acceleware Corp., a TSXV-listed company engaged in developing and supplying high performance computing applications for the oil & gas and computer engineering markets.

He remains active in several private business ventures focused on developing technology for stem cell research and related medical and commercial applications.

On 3 October 2012, Mr Romaniuk was appointed a part-time Commissioner of the Alberta Utilities Commission pursuant to an Order-in-Council of the Government of Alberta. Mr. Romaniuk has a BA (Hon.) in Economics from the University of Alberta, an MA in Economics and Ph.D. (a.b.d.) in Economics from Queen's University in Kingston, Ontario and an LL.B from the University of Toronto.

Mr Romaniuk has not served as a director of any other ASX listed entities in the last 3 years. Mr. Romaniuk is a member of the Audit and Risk Management Committee and Remuneration Committee.

Greg Hancock - (Non-Executive Director)

Greg Hancock BA (Econs) BEd (Hons) F.Fin is a Non-Executive Director. Mr. Hancock has extensive experience in corporate finance, capital markets and stockbroking in both Australia and the United Kingdom. In this time he has specialised in mining and natural resources and has a background in the finance and management of small companies. He was a founding shareholder and first Chairman of Cooper Energy Ltd, an exploration and production oil and gas company listed in Australia and served as Non-Executive Director until 2011. He is Non-

Executive Chairman of AusQuest Ltd, an Australian mining exploration company with projects in Peru, Burkina Faso and Western Australia. He is Non-Executive Director of Zeta Petroleum PLC, which is an independent oil and gas exploration and development company with a regional focus in Eastern Europe.

Mr Hancock is a director of the following listed companies:

- Ausquest Ltd (ASX:AQD)
- Zeta Petroleum Plc (ASX:ZTA)
- BMG Resources Ltd (ASX:BMG)

Mr. Hancock is a member of the Audit and Risk Management Committee and Remuneration Committee.

Shaun Maskerine - Company Secretary (Canada)

Mr. Maskerine has over 14 years' experience in the administration and development of public companies including direct involvement in numerous listings, capital raisings and transactions. He has extensive experience in the areas of corporate compliance, corporate secretarial work and governance of listed companies. Mr. Maskerine has been a director and held many senior positions in companies on both the Toronto Venture Exchange and the ASX and is currently a director and corporate secretary of other listed companies on the Toronto Venture Exchange.

Duncan Cornish - Company Secretary (Australia)

Mr. Cornish is an accomplished and highly regarded corporate administrator and manager. He has many years' experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange. Highly skilled in the areas of company financial reporting, company regulatory, secretarial and governance areas, business acquisition and disposal due diligence, he has worked with Ernst & Young and PricewaterhouseCoopers both in Australia and the UK.

Mr. Cornish is currently Company Secretary and CFO of other listed companies on the ASX and TSX-V where he has assisted in their listing and capital raising. He is supported by a small experienced team of accountants and administrators.

Interests in Securities

As at the date of this report, the interests of the directors in the securities of Strata-X Energy Limited are shown in the table below.

	Common Shares (TSX-V) and CDIs (ASX)	Unlisted Options (TSX-V)
Ronald Prefontaine	11,976,951	140,000
Timothy Hoops	3,706,365 ⁽¹⁾	2,020,000
Bohdan Romaniuk	569,626	290,000
Dennis Nerland	538,969	240,000
Greg Hancock	40,000	220,000

Note 1: 2,507,143 of these Shares are held by R&M Oil and Gas LLP (1,200,000 shares) and Peak Resource Management Inc. (1,307,143 Shares). As Timothy Hoops holds more than a 20% interest in both entities, he is deemed to have a relevant interest in those Shares and is required to include those Shares when disclosing his Director's interest pursuant to the ASX Listing Rules.

Principal Activities

The principal activity of the Company during the period was oil and gas exploration, development and production. No significant change in the nature of this activity occurred during the financial period.

Operating Results

For the year ended 30 June 2018, the loss for the consolidated entity after providing for income tax was USD(\$1,663,430).

Dividends

No dividends have been declared, provided, paid or recommended in respect to the year ending 30 June 2018.

Review of Operations

Detailed comments on operations and exploration programs up to the date of this report are included separately in the Annual Report under Review of Operations.

Capital Structure

At 30 June 2017 the Company had a total of 89,825,208 Common Shares (TSX-V) and CDIs (ASX) and 8,887,917 unlisted options on issue. At 30 June 2017, the split between Common Shares (TSX-V) and CDIs (ASX) was:

Common Shares (TSX-V)	24,896,760
CDIs (ASX)	64,928,448
Total	89,825,208

On 19 December 2017, 3,800,000 Unlisted Options (C\$0.05 @ 19-Dec-22) were issued to certain Directors of the Company, as approved by Shareholders at the AGM held on 19-Dec-17).

On 11 March 2018, 266,667 C\$0.36 Unlisted Options expired.

On 29 April 2018, the following warrants expired:

- 33,333 C\$1.50
- 40,000 C\$0.90

During the year ended 30 June 2018 there was a net movement (transmutations) of 5,770,421 CDIs (ASX) to Common Shares (TSX-V).

At 30 June 2018 the Company had a total of 89,825,208 Common Shares (TSX-V) and CDIs (ASX) and 12,347,917 unlisted options on issue. At 30 June 2018, the split between Common Shares (TSX-V) and CDIs (ASX) was:

Common Shares (TSX-V)	30,667,181
CDIs (ASX)	59,158,027
Total	89,825,208

On 16 July 2018 the Company undertook a share consolidation of 3 shares/options for every 5 held. This resulted in the cancellation of:

- 35,930,224 CDIs and Common Shares;
- 3,386,667 TSX Options; and
- 1,552,500 ASX Options.

Option and warrant exercise prices were adjusted accordingly.

On 16 July 2018 the Company completed tranche 1 of a private placement that consisted of 10,900,000 CDIs (representing 10,900,000 Common Shares) to raise A\$545,000 at a price of A\$0.05 per CDI. A further 210,000 CDIs (representing 210,000 Common Shares) were issued as Broker fees.

On 5 September 2018 the Company completed tranche 2 of the private placement that consisted of 16,200,000 CDIs (representing 16,200,000 Common Shares) to raise A\$810,000 at a price of A\$0.05 per CDI.

During July and August 2018, there was a net movement (transmutations) of 925,654 CDIs (ASX) to Common Shares (TSX-V).

As at the date of this report, the Company has a total of 81,204,984 Common Shares (TSX-V) and CDIs (ASX) and 7,408,750 unlisted options on issue. The split between Common Shares (TSX-V) and CDIs (ASX) was:

Common Shares (TSX-V)	19,325,949
CDIs (ASX)	61,879,035
Total	81,204,984

Financial position

The net assets of the Company have decreased by USD\$1,201,981 from USD\$13,451,366 million at 30 June 2017 to USD\$12,249,475 million at 30 June 2018. This net decrease principally asset impairment incurred during the year.

During the period, the Company has invested in oil and gas exploration, development and production of projects located in the USA and the Republic of Botswana.

Treasury policy

The Company does not have a formally established treasury function. Senior management in consultation with the Board is responsible for implementing appropriate capital management policies and procedures. The Company does not currently undertake hedging of any kind.

Liquidity and funding

The ability of the Company to continue as a going concern and to realize the carrying value of its proved and probable reserves and discharge its liabilities when due depends on the success of the Company's exploration and development of its oil and gas properties, as well as the ability of the Company to obtain additional financing or equity to fund the exploration and development of those oil and gas properties.

Significant changes in the state of affairs

In addition to the changes in capital structure described above, any significant changes in the state of affairs of the Company during the financial year are set out in the Review of Operations contained in this Annual Report.

After Balance Date Events

No event has occurred since 30 June 2018 that would materially affect the operation of the Company, the results of the Company or the state of affairs of the Company not otherwise disclosed in the Company's financial statements.

Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998 and in accordance with that Class order amounts in the Director's Report and Financial Statement are rounded off to the nearest thousand dollars, unless otherwise indicated.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations.

There are no further developments of which the Directors are aware which could be expected to affect the results of the consolidated entity's operations in subsequent financial years.

Business Results

The prospects of the Company in progressing their exploration projects may be affected by a number of factors. These factors are similar to most exploration companies moving through exploration phase and attempting to get projects into development. Some of these factors include (a more comprehensive review of risk factors to the Company can be found in its TSX Annual Information Filing for Fiscal Year 2018 available at www.sedar.com):

Exploration and development

The future value of Strata-X will depend on its ability to find and develop oil and gas resources that are economically recoverable within Strata-X's granted exploration permits. Hydrocarbon exploration and development is inherently highly speculative and involves a significant degree of risk. There can be no assurance that Strata-X's planned exploration, appraisal and development activities will be successful. Even if oil and gas resources are identified, there is no guarantee that it will be economic to extract these resources or that there will be commercial opportunities available to monetise these resources. The proposed exploration and drilling

program could experience cost overruns that reduce the Company's ability to complete the planned exploration and drilling program in the time expected.

Oil and gas exploration may involve drilling operations and exploration activities which do not generate a positive return on investment. This may arise from dry wells or technical drilling failures, but also from wells that are productive but do not produce sufficient revenues to return a profit after accounting for drilling, operating and other associated costs. The production from successful wells may also be adversely affected by various operating conditions, including insufficient storage or transportation capacity, or other geological and mechanical conditions. In addition, managing drilling hazards or environmental damage and pollution caused by exploration and development operations could greatly increase the associated cost and correspondingly reduce the profitability of individual wells.

Operational Risk

Oil and gas exploration and development activities involve numerous operational risks. These include encountering unusual or unexpected geological formations, mechanical breakdowns or failures, human errors and other unexpected events which occur in the process of drilling and operating oil and gas wells.

The occurrence of any of these risks could result in substantial financial losses to Strata-X due to injury or loss of life, damage to or destruction of property, natural resources or equipment, environmental damage or pollution, clean-up responsibilities and regulatory investigation, amongst other types of loss, harm or damage. Damages occurring to third parties as a result of such events may give rise to claims against Strata-X which may not be covered fully by insurance or at all.

Even where Strata-X is insured, such incidents or damage to property or equipment could delay Strata-X's operations with the result that it might fail to meet its stated objectives.

Strata-X has limited operating history and there can be no assurances that it will be able to commission or sustain successful operations and commercial exploitation of its projects.

The Directors and Management of Strata-X will, to the best of their knowledge, experience and ability, endeavor to anticipate, identify and manage the risks inherent in the activities of the Company, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of Strata-X and its business operations. The ability of the Directors and Management to do so may be affected by matters outside their control and no assurance can be given that the Directors and Management of Strata-X will be successful in these endeavors.

Changes in Commodity Prices

Strata-X's possible future revenues will be derived mainly from the sale of oil and gas. Consequently, Strata-X's potential future earnings, profitability, and growth are likely to be closely related to the price of oil and gas. Oil and gas prices historically have been volatile and are likely to continue to be volatile in the future.

Historically, oil and gas prices have fluctuated in response to changes in the supply of and demand for oil and gas, economic uncertainty, and a variety of additional factors beyond the control of Strata-X. Such influencing factors include general economic conditions, government regulation and sanctions, access to regional and global markets, the actions of the Organization of Petroleum Exporting Countries (OPEC), political instability in the Middle East and elsewhere and the availability of alternative fuel sources.

In the event that Strata-X becomes a producer, any substantial and extended decline in the market price of oil and gas could have an adverse effect on Strata-X's future revenues, profitability, cash flow from operations, carrying value of future reserves, and borrowing capacity amongst other measures of its financial performance and economic viability. If the market price of oil and gas sold by Strata-X were to fall below the costs of production and remain at such a level for any sustained period, Strata-X would experience losses and might have to curtail or suspend some or all of its proposed activities. In such circumstances, Strata-X would also have to assess the economic impact of any sustained lower commodity prices on the feasibility of advancing its projects to production and the commercial recoverability of any existing reserves.

Title Risk

In the United States when the initial land grants (patents) were made in the USA, the sovereign (government) did not always reserve the minerals. Thus, in some patents, the patentee obtained some or all of the undivided rights to the minerals in addition to the surface of the land. Over time, the minerals may have been severed, by grant or reservation in deed, from the surface rights.

Securing all of the oil and gas rights to a particular tract of land requires that the Company determine mineral ownership and then conduct negotiations to acquire leases from these owners.

Independently verifying that the parties with whom a company is dealing are the correct and sole holders of the mineral rights and analyzing the full rights and restrictions applying to the interest held by those parties, requires that a company obtain detailed title opinions from qualified title attorneys licensed to practice in the state in which the property is located (Title Attorney Opinion). This is typically a lengthy and potentially expensive process. In particular, given the passage of time since the original land grants from the government, the ownership of most land will have passed both through inheritances to numerous descendants and through conveyances to third parties, resulting in a high probability of fractional ownership.

Accordingly, the final title opinions may contain numerous qualifications and curative requirements. It is therefore customary that such title opinions are not rendered until the company proposes to conduct a drilling operation or expend significant amounts of money on a particular lease or leases. Strata-X has adopted this customary approach and, accordingly, will not obtain title opinions on its leases until the drilling of a well is proposed. As a consequence there is a possibility that third parties may hold or claim mineral rights adverse to the claim of the lessors under the leases that have been taken. This is an acceptable risk that companies are willing to take, as long as adequate industry standard leasing procedures were followed.

Accordingly, Strata-X may need to obtain an opinion prepared by a qualified title attorney for each project prior to the commencement of the drilling of a well or undertaking a significant expansion. In the event that, at such time, marketable title cannot be determined for the drill site, then drilling on that tract within the prospect may be delayed until marketable title can be obtained, either by meeting the curative requirements or by acquiring additional leases. In the event that it is not possible to cure the defect or acquire an additional lease or leases, Strata-X's activities may be materially adversely affected.

For title risk involve with the Company's Serowe CSG project located in the Republic of Botswana, please see Risk Factors - Geopolitical, Regulatory and Sovereign Risk

Hydraulic Fracturing

Due to significant current public debate surrounding the environmental impacts of hydraulic fracturing, the industry is subject to substantial public and regulatory scrutiny and to rigorous public environmental approval and monitoring processes. The implementation of future regulations or approval processes in the oil and gas industry may lead to additional cost or require changes in how the Company proposes to operate or explore and as a result may have an adverse effect on the financial performance of the Company.

Environmental Risk

Strata-X's operations are subject to numerous stringent and complex laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection in the United States, Australia and Botswana. Such regulation can increase the cost of planning, designing, installing and operating industrial facilities for use by operators. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements, and the imposition of injunctions to force future compliance (such as requiring companies to make substantial modifications to their physical plant to reduce air emission sources). Additionally, some environmental laws provide for joint and several strict liability (meaning that the liabilities can be assessed 100% against any party deemed to be involved, and that the mere fact of violation is sufficient to assess a penalty without regard to fault or to any potentially mitigating circumstances which might usually apply) for remediation of releases of hazardous substances.

American State statutes and regulations require permits for drilling operations, drilling bonds and reports concerning operations. In addition, there are state statutes, rules and regulations governing conservation matters, including the unitisation or pooling of oil and gas properties, establishment of maximum rates of production from oil and gas wells and the spacing, plugging and abandonment of such wells. Such statutes and regulations may limit the rate at which oil and gas could otherwise be produced from Strata-X's properties and may restrict the number of wells that may be drilled on a particular lease or in a particular field. Additionally, some states and local governments are considering restrictions or complete bans on the use of hydrofracturing when completing oil and gas wells.

Companies involved in the production of hydrocarbons may generate wastes, including hazardous wastes that are subject to the US Resource Conservation and Recovery Act (RCRA) and comparable state statutes. The Environmental Protection Agency has limited the available options which can be used for the disposal of certain wastes that are designated as hazardous substance under RCRA (Hazardous Wastes). Furthermore, it is possible that certain wastes generated by oil and gas operations which may be currently exempt from treatment as a Hazardous Waste could in the future be designated as Hazardous Wastes and, therefore, be subject to more rigorous and costly operating and disposal requirements. Such changes could have a material adverse effect on Strata-X if and when its production begins to grow.

Geopolitical, Regulatory and Sovereign Risk

Exploration for and development, exploitation, production and sale of oil and natural gas is subject to extensive laws and regulations, including complex tax laws and environmental laws and regulations. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations could adversely affect Strata-X.

In particular, in the United States each state generally imposes a production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within its jurisdiction. Additionally, some local governments also impose property taxes on oil and natural gas interests, production equipment, and production revenues. This may have an adverse effect on Strata-X particularly if it achieves commercial production.

Our international operations may be adversely affected by economic and geopolitical developments. Strata-X has international operations which may be adversely affected by political and economic developments, including the following: renegotiation, modification or nullification of existing contracts, such as may occur pursuant to future regulations enacted as a result of changes in Israel's antitrust, export and natural gas development policies, or the hydrocarbons law enacted in 2006 by the government of Equatorial Guinea, which can result in an increase in the amount of revenues that the host government receives from production (government take) or otherwise decrease project profitability; loss of revenue, property and equipment as a result of actions taken by host nations, such as expropriation or nationalization of assets or termination of contracts; disruptions caused by territorial or boundary disputes in certain international regions; changes in drilling or safety regulations; laws and policies of the US and foreign jurisdictions affecting trade, foreign investment, taxation and business conduct; US and international monetary policies impacting foreign exchange or repatriation restrictions in countries in which we conduct business; war, piracy, acts of terrorism or civil unrest; and other hazards arising out of foreign governmental sovereignty over areas in which we conduct operations. Such political and economic developments could have a negative impact on our results of operations and cash flows and reduce the fair values of our properties, resulting in impairment charges.

Certain regions, such as the Middle East and Africa, continue to experience varying degrees of political instability, public protests and terrorist attacks. We operate in regions of the world that have experienced such incidents or are in close proximity to areas where violence has occurred. Terrorist attacks and the threat of terrorist attacks, whether domestic or foreign, as well as military or other actions taken in response to these

acts, could cause instability in the global financial and energy markets. Continued or escalated civil and political unrest and acts of terrorism in the regions in which we operate could result in curtailment of our operations. In the event that regions in which we operate experience civil or political unrest or acts of terrorism, especially in areas where such unrest leads to regime change, our operations in such regions could be materially impaired.

Competitor Risk

Strata-X faces competition from established entities having greater financial and technical resources which may hinder the Company's ability to compete for future business opportunities, acquire and exploit additional attractive natural resource properties or procure equipment or services, necessary to conduct its operations in line with its stated objectives. Many of Strata-X's competitors not only explore for, and produce oil and gas, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that Strata-X can compete effectively with these companies.

Occupational Health and Safety Risk

The oil and gas industry is subject to occupational health and safety laws and regulations which change from time to time and may result in increased compliance costs or the potential for liability. It is Strata-X's intention to mitigate this risk by operating to the highest occupational health and safety standards.

Market Risk

The market price of the Company's common shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the United States of America and Australian resources sector, Canadian and Australian listed entities and exploration companies in particular.

There are a number of factors (both national and international) that may affect the market price and neither Strata-X nor its Directors have control over those factors.

Factors that could affect the trading price that are unrelated to Strata-X's performance include domestic and global commodity prices and economic outlook, fiscal and monetary policies, currency movements, and market perceptions of the attractiveness of particular industries. The shares carry no guarantee in respect of profitability, dividends, return on capital, price or degree of liquidity.

General Economic Conditions

Changes in the general economic climate in which Strata-X operates may adversely affect its financial performance, its exploration and development activities, and its ability to fund those activities. Factors that may contribute to that economic climate include changes in global and/or domestic economic conditions, the general level of economic activity, movements in interest rates and inflation, currency exchange rates and other economic factors. The price of commodities and level of activity within the natural resource industry will also be of particular relevance to Strata-X. Neither Strata-X nor its Directors warrant the future performance of the Company or any return on an investment in Strata-X.

Environmental Issues

The Company operations are subject to significant environmental regulation under the laws of the operating jurisdictions. The Company has a policy of complying with its environmental obligations and at the date of this report, is not aware of any breach of such regulations.

Director's Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Board		Audit & Risk Management Committee		Remuneration Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Ronald Prefontaine	3	2	N/A		N/A	
Timothy Hoops	3	3	N/A		N/A	
Timothy Bradley	3	3	N/A		N/A	
Bohdan Romaniuk	3	2	1	1	N/A	
Dennis Nerland	3	1	1	1	N/A	
Greg Hancock	3	3	1	1	N/A	

Indemnification and Insurance of Directors, Officers and Auditor

Each of the Directors, Company Secretaries, Chief Financial Officer and Officers of Strata-X Energy Limited has entered into a Deed with the Company whereby Strata-X has provided certain contractual rights of access to books and records of the Company.

Strata-X Energy Limited has insured all of the Directors and Officers of the consolidated entity. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid.

Strata-X has not indemnified or insured its auditor.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Acquisition of Securities

Strata-X Energy Limited was incorporated in the Province of Alberta, Canada in 2007. During 2012 the shareholders of the Company passed a special resolution to approve a continuation of the Company out of Alberta and into the province of British Columbia, Canada.

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).

Summary of Canadian Legal Requirements Respecting the Acquisition of Securities of the Corporation

Applicable Canadian laws, like their Australian equivalent, are very technical. Accordingly, shareholders should consult their own Canadian legal advisors with respect to Canadian legal requirement matters, rather than relying upon this general summary.

In general, subject to compliance with applicable Canadian securities laws, a holder of shares in the capital of a corporation incorporated under the British Columbia Business Corporations Act (BCBCA) is entitled to transfer his, her or its shares to anyone else upon compliance with the provisions of the BCBCA and the articles of the corporation.

Canadian securities laws impose certain limitations on the acquisition of securities. The issuance to the public and trading of securities in Canada is regulated at the provincial/territorial level by securities legislation administered by the relevant provincial or territorial securities commission.

Takeover bids are regulated primarily by provincial and territorial securities legislation and, to a limited extent, the corporate statutes under which the target company is incorporated. Under provincial or territorial securities regulations, an offer to acquire shares of an issuer by a "control person" of that issuer may constitute a formal take-over bid. Under the Securities Act (British Columbia), a "control person" is generally defined as any person, company or combination of persons or companies whose holdings represent a sufficient number of securities of the issuer to materially affect the control of that issuer. A holding of more than 20%, in the absence of evidence to the contrary, is deemed to materially affect control of the issuer. In addition, any offer to acquire voting or equity securities where such securities together with the offeror's securities represent an aggregate of 20% or more of the outstanding securities of that class will constitute a take-over bid.

Unless an exemption from formal take-over bid requirements under applicable Canadian securities legislation can be obtained, persons or companies seeking to make a take-over bid must comply with detailed rules governing bids prescribed by applicable provincial or territorial securities laws. For example, under the applicable securities legislation, exempt bids include bids made over the facilities of the TSX-V and a bid for not more than 5% of the outstanding securities of a class of securities, so long as the aggregate number of securities of that class acquired by the offeror and any person acting jointly or in concert with the offeror in the previous twelve months is not greater than 5% of the class and the bid is for a price not in excess of the market price for those securities.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included later in this Annual Financial Report, see table of contents for page number.

Corporate Governance

In recognizing the need for the highest standards of corporate behaviour and accountability, the Directors of Strata-X support and have adhered to the principles of corporate governance. Strata-X Energy Ltd's Corporate Governance Statement can be found in this Annual Report.

This Report is signed in accordance with a resolution of the Directors.

On behalf of the Directors,

Timothy Hoops

Executive Director – President/CEO

Auditors Review Report



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Independent Auditors' Report

To the Shareholders of
Strata-X Energy Ltd.

We have audited the accompanying consolidated financial statements of Strata-X Energy Ltd., which comprise the consolidated statements of financial position as at June 30, 2018 and June 30, 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended June 30, 2018 and June 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

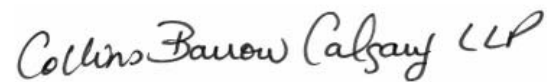
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Strata-X Energy Ltd. as at June 30, 2018 and June 30, 2017, and its financial performance and its cash flows for the years ended June 30, 2018 and June 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 1 to the consolidated financial statements which describes conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue operating as a going concern. Our opinion is not qualified in respect of this matter.



CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
September 24, 2018

Management Declaration



26 September 2018

The CEO and CFO of the Consolidated Entity declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the (Australian) Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.
2. The Consolidated Entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the directors.

Timothy Hoops
Executive Director – President/CEO

David Hettich
Chief Financial Officer

Directors Declaration



26 September 2018

The directors of the Consolidated Entity declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the (Australian) Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.
2. The Consolidated Entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the directors.

Timothy Hoops
Executive Director – President/CEO

Shareholder Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 17 September 2018.

The total number of securities on issue is:

Security Type	No. Securities
Common Shares (listed on the TSX-V)	19,325,949
CHESS Depository Interests (CDI's) (listed on the ASX)	61,879,035
Total	81,204,984
Unlisted Options ⁽¹⁾	5,080,000
Unlisted Warrants (A\$0.1167 @ 9-Jan-20)	2,328,750

Note 1: Unlisted Options have various vesting conditions, expiry dates and exercise prices.

(a) Distribution of Equity Securities

The number of holders, by size of holding, in each class of security is:

	Common Shares (TSX-V)		CHESS Depository Interests (CDIs)	
	No. Holders	No. Shares	No. Holders	No. CDIs
1 - 1,000	-	-	60	25,509
1,001 - 5,000	-	-	126	324,295
5,001 - 10,000	-	-	52	400,374
10,001 - 100,000	1	40,000	155	5,361,969
100,001 and over	4	19,285,949 ⁽²⁾	65	55,766,888
Total	5	19,325,949	458	61,879,035

Note 2: This figure includes 14,432,020 Common Shares (TSX-V) held by CDS & Co., who represents all beneficial holders of uncertificated Common Shares held through brokerage accounts. More detailed information concerning the breakdown of these beneficial holders is not readily available.

Unlisted Options		
	No. Holders	No. Options
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	5	270,000
100,001 and over	10	4,810,000
Total	15	5,080,000

The number of CDI holders holding less than a marketable parcel (9,615 CDIs) is 228.

(b) 20 largest holders

COMMON SHARES

The names of the 20 largest holders of Common Shares (TSX-V) as at 17 September 2018 are:

		No. Common Shares	% of total Common Shares	% of total CDI's and Common Shares
1	CDS & CO ⁽³⁾	14,432,020	74.68%	17.77%
2	EXCHANGES CONTROL FOR CLASS C01	3,543,242	18.33%	4.36%
3	R & M OIL AND GAS LLLP	1,200,000	6.21%	1.48%
4	EXCHANGES CONTROL FOR CLASS C02	110,687	0.57%	0.14%
5	TERRY PREFONTAINE	40,000	0.21%	0.05%
Total of 20 Largest Holders		19,325,949	100%	23.80%
Total Common Shares (TSX-V)		19,325,949	100%	

Note 3: CDS & Co. represents all beneficial holders of uncertificated Common Shares held through brokerage accounts. More detailed information concerning the breakdown of these beneficial holders is not readily available.

CHESS Depository Interests

The names of the 20 largest holders of ASX CHESS Depository Interests (CDIs) as at 17 September 2018 are:

		No. CDIs	% of total CDIs	% of total CDIs and Common Shares
1	MR RONALD PREFONTAINE & MRS ANNABEL FRANCES PREFONTAINE *	10,596,439	17.12%	13.05%
2	SIXTH ERRA PTY LTD *	7,500,000	12.12%	9.24%
3	BAM OPPORTUNITIES FUND PTY LTD	4,000,000	6.46%	4.93%
4	BERENES NOMINEES PTY LTD *	3,124,000	5.05%	3.85%
5	ROOKHARP INVESTMENTS PTY LIMITED	2,490,000	4.02%	3.07%
6	PINE MOUNTAIN PTY LTD	2,400,000	3.88%	2.96%
7	SCINTILLA STRATEGIC INVESTMENTS LIMITED	2,000,000	3.23%	2.46%
8	CLAYMORE CAPITAL PTY LTD	2,000,000	3.23%	2.46%
9	KABILA INVESTMENTS PTY LIMITED	2,000,000	3.23%	2.46%
10	SINO PORTFOLIO INTERNATIONAL LIMITED *	1,485,844	2.40%	1.83%
11	GUY JONES PTY LTD *	1,430,416	2.31%	1.76%
12	FINN AIR HOLDINGS PTY LTD	1,260,000	2.04%	1.55%
13	LAGANA FAMILY SUPER PTY LTD	1,202,181	1.94%	1.48%
14	MR TIMOTHY LEE HOOPS	1,199,222	1.94%	1.48%
15	MOORE AND BADGERY PTY LTD	1,046,801	1.69%	1.29%
16	MGL CORP PTY LTD	800,000	1.29%	0.99%
17	GUNDYCO	770,693	1.25%	0.95%
18	COMSEC NOMINEES PTY LIMITED	710,000	1.15%	0.87%
19	J P MORGAN NOMINEES AUSTRALIA LIMITED	612,601	0.99%	0.75%
20	MS LORRAINE JOY CHERRY & MR JASON ROBERT CHERRY	600,000	0.97%	0.74%
Total of 20 Largest Holders		47,228,197	76.31%	58.17%
Total CDIs		61,879,035	100.00%	

* Holdings have been merged

Substantial Holders

Substantial Holders (i.e. $\geq 5.0\%$ of the total Common Shares and CDIs) as shown in substantial shareholder notices received by Strata-X Energy Limited are:

Name of Holder	No. Shares/CDI's
JP Morgan Chase & Co. and its affiliates	4,519,852

Other Holders of which the Company is aware that hold a substantial number of Shares and/or CDIs includes:

Name of Holder	No. Shares/CDI's
Ronald Prefontaine (plus associated entities)	11,976,951
Sixth Erra Pty Ltd	7,500,000

(c) Voting Rights

All ordinary shares (Common Shares (TSX-V) and CHESS Depository Interests) carry one vote per share without restriction. Options and Warrants do not carry voting rights.

(d) Restricted Securities

The Company has no restricted securities on issue.

(e) Business Objectives

The consolidated entity has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

Corporate Governance

Strata-X Energy Limited is listed on the TSX Venture Exchange (**TSX-V**). On 8 March 2013 the Company was admitted to the Australian Securities Exchange (**ASX**).

The Board of Directors of Strata-X Energy Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Strata-X Energy Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Strata-X Energy Limited's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Council's (the **Council**) "Corporate Governance Principles and Recommendations, 3rd Edition", which are as follows:

- Principle 1 Lay solid foundations for management and oversight
- Principle 2 Structure the board to add value
- Principle 3 Act ethically and responsibly
- Principle 4 Safeguard integrity in corporate reporting
- Principle 5 Make timely and balanced disclosure
- Principle 6 Respect the rights of security holders
- Principle 7 Recognise and manage risk
- Principle 8 Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website (www.asx.com.au).

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out below, it otherwise complies with all of the ASX Guidelines.

ASX Principles and Recommendations	Summary of the Company's Position
<i>Principle 1 – Lay Solid Foundations for Management and Oversight</i>	
Recommendation 1.5 – Companies should establish a Diversity Policy	<p>The Company is committed to workplace diversity and ensuring a diverse mix of skills amongst its Directors, officers and employees.</p> <p>Due to its size and nature of operations, the Company does not currently have a Diversity Policy. The Company strives to attract the best person for the position regardless of gender, age, ethnicity or cultural background.</p> <p>While the Company does not presently comply with Recommendation 1.5, the Company may consider adopting a Diversity Policy in the future as it grows in size and complexity. The Company believes that given the size and nature of its operations, non-compliance with these recommendations will not be detrimental to the Company.</p>
Recommendation 1.6 – Evaluating the performance of the board, its committees and individual directors	<p>While the Company does not presently comply with this recommendation, the Company believes that given the size and scale of its operations, non-compliance with this recommendation will not be detrimental to the Company.</p>
<i>Principle 2 – Structure the Board to Add Value</i>	
Recommendation 2.1 – Have a Nomination Committee	<p>While the Company does not presently comply with this recommendation, the Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company. The Board as a whole is able to address these issues and is guided by the Nominations Committee Charter. The Company will review this position annually and determine whether a Nominations Committee needs to be established.</p>
Recommendation 2.2 – Skills Matrix	<p>The Company has not developed a board skills matrix. The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report is detailed in the director's report. While the Company does not presently comply with this recommendation, the Company believes that its Board has an appropriate broad range of technical, industry, corporate and operational skills given the size and scale of its operations. The Company believes that non-compliance by the Company with this recommendation will not be detrimental to the Company.</p>
Recommendation 2.5 – The chair should be an independent Director	<p>Mr Ronald Prefontaine is the Chairman. The Company does not consider Mr Prefontaine to be an independent director as defined in the ASX Guidelines on the basis that he, together with his associated entities, is a substantial shareholder in the Company.</p> <p>The Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company.</p>

Principle 7 - Recognise and Manage Risk

Recommendation 7.2 – The Board should review the entity's risk management framework at least annually and disclose whether such a review has taken place.

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of operating risk to Management, which is responsible for identifying, assessing, monitoring and managing risks. Management is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

The Company believes that given the size and scale of its operations, non-compliance (by not conducting a formal annual review) by the Company with this recommendation will not be detrimental to the Company.

Board

The Board has adopted a formal Board Charter that outlines the roles and responsibilities of Directors and senior executives. The Board Charter has been made publicly available on Strata-X Energy Limited's website.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines an independent Director as a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of Director independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements.

An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Factors that may affect a Director's independence are considered each time the Board meets.

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following directors are not considered to be independent:

Name	Position	Reason for Non-compliance
Ronald Prefontaine	Chairman	Ronald Prefontaine is a substantial shareholder in the Company.

Timothy Hoops	Managing Director	Timothy Hoops is employed by the Company in an executive capacity and is a substantial shareholder in the Company.
---------------	-------------------	--------------------------------------------------------------------------------------------------------------------

Strata-X Energy Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Strata-X Energy Limited due to their considerable industry and corporate experience.

Bohdan Romaniuk, Dennis Nerland and Greg Hancock are all considered to be independent.

There are procedures in place, agreed to by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in Office
Ronald Prefontaine	11 years, 3 months
Timothy Hoops	7 years
Bohdan Romaniuk	8 years, 1 month
Dennis Nerland	4 years, 2 months
Greg Hancock	3 year, 2 months

Appropriate background checks are conducted on proposed new directors and material information about a director being re-elected is provided to security holders.

The company secretaries work directly with the chair on the functioning of all board and committee procedures.

Written agreements are entered in to with each director clearly setting out their roles and responsibilities. The responsibilities of the management including the chief executive officer and chief financial officer are contained in letters of appointment and job descriptions given to each executive.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report is detailed in the director's report.

Diversity

The Company is committed to workplace diversity and ensuring a diverse mix of skills amongst its Directors, officers and employees. The Company strives to attract the best person for the position regardless of gender, age, ethnicity or cultural background

Due to its size and nature of operations, the Company does not currently have a Diversity Policy, however, it may consider adopting a Diversity Policy in the future as it grows in size and complexity.

As at 30 June 2018, the proportion of women in the whole organisation is a follows:

	Male	Female
Board Members	100%	0%
Officers	100%	0%
Other	100%	0%

Code of Conduct

Platina has a published code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices; and
- responsibilities to the environment and the community.

Trading Policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information until it has been released to the market and adequate time has passed for this to be reflected in the security's prices, and during certain pre-determined windows.

The Company's policy regarding dealings by Directors in the Company's shares is that Directors should never engage in short term trading and should not enter into transactions when they are in possession of price sensitive information not yet released by the Company to the market; or for a period of fourteen (14) days prior to the scheduled (per ASX Listing Rules) release by the Company of (ASX) Quarterly Operations and Cash Flow Reports or such shorter period as may be approved of by the Chairman after receipt of notice of intention to buy or sell by a Director to other members of the Board.

Directors will generally be permitted to engage in trading (subject to due notification being given to the Chairperson and Secretary) for a period commencing one (1) business day after the release of (ASX) Quarterly Operations and Cash Flow Reports to the market and for a period commencing one (1) business day following the release of price sensitive information to the market which allows a reasonable period of time for the information to be disseminated among members of the public.

Remuneration Committee

The Board has established a Remuneration Committee, which operates under a charter approved by the Board. The Committee is responsible for reviewing the remuneration policies and practices of the Company and making recommendations to the Board in relation to:

- executive remuneration and incentive plans;
- the remuneration packages for Management, Directors and the Managing Director;
- non-executive Director remuneration;
- the Company's recruitment, retention and termination policies and procedures for senior management;
- incentive plans and share allocation schemes;
- superannuation arrangements; and
- remuneration of members of other committees of the Board.

The members of the Remuneration Committee at the date of this report are:

- Greg Hancock
- Bohdan Romaniuk
- Timothy Hoops

For additional details of Directors' attendance at Remuneration Committee meetings and to review the qualifications of the members of the Remuneration Committee, please refer to the Directors' Report.

Nomination Committee

Due to the size and scale of operations, Strata-X Energy Limited does not have a separately established Nomination Committee. The full Board carries out the functions of the Nomination Committee.

Audit & Risk Management Committee

The Board has established an Audit & Risk Management Committee. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit & Risk Management Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit & Risk Management Committee at the date of this report are:

- Bohdan Romaniuk (Chairman)
- Greg Hancock
- Dennis Nerland

For additional details of Directors' attendance at Audit & Risk Management Committee meetings and to review the qualifications of the members of the Audit & Risk Management Committee, please refer to the Directors' Report.

The Audit & Risk Management Committee Charter has been made publicly available on the Company's website.

The Managing Director has made the following certifications to the Board:

- That the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial position and performance of the Group and are in accordance with relevant accounting standards;
- The integrity of the reports is founded on a sound system of financial risk management and internal compliance and control.

The Chief Financial Officer has made the following certifications to the Board:

- That the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial position and performance of the Group and are in accordance with relevant accounting standards;
- The integrity of the reports is founded on sound system of financial risk management and internal compliance and control.

The Group ensures that its external auditors are available (by telephone) at the AGM to answer any questions with regard to the efficacy of the financial statement audit and the associated independent audit report.

The Company does not have a separate internal audit function. The board considers that the Company is not currently of the size or complexity to justify a separate internal audit function, and that appropriate internal financial controls are in place. Such controls are monitored by senior financial management and the Audit and Risk Committee.

The Director's Report sets out some of the key risks relevant to the Company and its operations. Although not specifically defined as such, the risks include economic, environmental and social sustainability risks. As noted above, the Company regularly reviews risks facing the Company and adopts appropriate mitigation strategies where possible.

Risk Management

Material business risks are considered informally as the Company's business evolves, plus formally at each Board meeting.

The Company has adopted a formal framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs as the Company's activities expand. The Board believes the current approach to risk management is appropriate given the size and scale of its operations. Further detail of the Company Risk Management Policies can be found within the Corporate Governance Policy available on the Company website (www.strata-x.com).

Recommendation 7.2 requires that the Board review the Company's risk management framework and disclose whether such a review has taken place. Business risks are considered regularly by the Board and management at management and Board meetings. A formal report to the Board as to the effectiveness of the management of the Company's material business risks has not been formally undertaken.

The Audit and Risk Management Committee Charter is set out in the Company's Corporate Governance Charter which is available from the corporate governance section of the Group's website.

The Company does not have a separate internal audit function. The board considers that the Company is not currently of the size or complexity to justify a separate internal audit function, and that appropriate internal financial controls are in place. Such controls are monitored by senior financial management and the Audit and Risk Committee.

The Director's Report sets out some of the key risks relevant to the Company and its operations. Although not specifically defined as such, the risks include economic, environmental and social sustainability risks. As noted above, the Company regularly reviews risks facing the Company and adopts appropriate mitigation strategies where possible.

Performance Evaluation

The Remuneration Committee considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

The board has not established formal evaluation criteria for the review of itself or its committees and has not undertaken a specific performance evaluation. Key executives are reviewed periodically against the business objectives and their own contractual obligations, including their personal KPIs.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and key Executives fairly and appropriately with reference to employment market and other relevant conditions. To assist in achieving this objective, the Remuneration Committee and the Board links the nature and amount of Executive Director's and Officer's emoluments to the Company's financial and operations performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key Executives
- attraction of quality management to the Company
- performance incentives which allow Executives to share the rewards of the success of Strata-X Energy Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the Directors and Named Executives during the period, please refer to the Company's 2017 Notice of Annual and Special Meeting. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Strata-X Energy Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Company does not currently have a policy of implementing a ban on hedging economic risk of options.

Continuous Disclosure Policy

Detailed compliance procedures for TSX and ASX Listing Rule disclosure requirements have been adopted by the Company and can be found within Strata-X Energy Limited's Corporate Governance Charter on the Strata-X Energy Limited website (www.strata-x.com) in the Corporate Governance section.

Communications

The Company has designed a disclosure system to ensure it complies with the TSX and ASX's continuous disclosure rules and that information is made available to all investors equally, promoting effective communications with shareholders and encouraging shareholder participation at general shareholder meetings. The Company also offers shareholders the option to receive announcements and other notices from the Company electronically.

In addition to corporate and project information generally available on the Company's website, in the Investors section of the Company's website the following information is made available:

- TSX-V News Releases and ASX Announcements
- Corporate Presentations
- Quarterly Financial and Activity Reports
- Half-yearly and Annual Reports
- Capital Structure

Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at: www.strata-x.com.

Consolidated Statement of Financial Position

Years Ended 30 June 2017 and 30 June 2016
(Expressed in U.S. Dollars)

	2017	2016
ASSETS:		
Current assets:		
Cash and cash equivalents (Note 12)	\$ 975,442	\$ 744,042
Accounts receivable (Note 16)	60,336	78,156
Prepays and other	11,553	7,980
Total current assets	1,047,331	830,178
Other assets (Note 5)	247,234	247,234
Exploration and evaluation assets (Note 6 and 18)	64,678	-
Property and equipment (Note 7)	12,092,123	12,438,165
Total assets	\$ 13,451,366	\$ 13,515,577
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities (Note 16)	\$ 140,016	\$ 427,344
Derivative warrants (Note 10)	-	886
Amounts due to related parties (Note 8)	67,057	157,002
Total current liabilities	207,073	585,232
Accrued liabilities (Note 16)	63,048	63,048
Decommissioning provisions (Note 9)	513,150	633,000
Total liabilities	783,271	1,281,280
SHAREHOLDERS' EQUITY:		
Share capital (Note 10)	36,955,438	35,968,547
Share based compensation reserve (Note 10)	1,531,908	1,471,989
Warrant reserve (Note 10)	1,102,488	1,009,486
Contributed surplus	22,066,879	22,066,879
Accumulated other comprehensive income (loss)	(821,829)	(821,967)
Deficit	(48,166,789)	(47,460,637)
Total shareholders' equity	12,668,095	12,234,297
Total liabilities and shareholders' equity	\$ 13,451,366	\$ 13,515,577

Nature of Business and Going Concern (Note 1)
Commitments (Note 18)

See accompanying notes

Consolidated Statement of Comprehensive Loss

Years Ended 30 June 2017 and 30 June 2016
(Expressed in U.S. Dollars)

	2017	2016
Oil and gas revenue, net of royalties (Note 14)	\$ 167,264	\$ 134,243
Expenses		
Production and operating	156,038	190,382
General and administrative (Notes 6, 7 and 10)	663,698	581,055
Depletion, depreciation and amortization (Note 7)	292,251	202,832
Impairment of oil and gas properties (Note 6, 7 and 9)	15,000	2,311,908
Total expenses	<u>1,126,987</u>	<u>3,286,177</u>
Net operating loss	(959,723)	(3,151,934)
Other income (Note 16)	212,798	-
Gain on valuation of derivative liabilities (Note 10)	887	113,587
Gain on settlement of decommissioning liability (Note 9)	41,976	543,595
Gain on disposal of assets (Note 7)	-	63,000
Net finance expense (Note 12(c))	<u>(2,090)</u>	<u>(9,987)</u>
Loss for the year	(706,152)	(2,441,739)
Other comprehensive income		
Exchange differences in translating foreign operations	<u>138</u>	<u>41</u>
Other comprehensive income for the year	<u>138</u>	<u>41</u>
Net loss and comprehensive income for the year	<u><u>\$ (706,014)</u></u>	<u><u>\$ (2,441,698)</u></u>
Loss per common share, basic and diluted (Note 11)	\$ (0.01)	\$ (0.04)

Consolidated Statement of Cash Flows

Years Ended 30 June 2017 and 30 June 2016
(Expressed in U.S. Dollars)

	2017	2016
Cash and cash equivalents provided by (used in):		
Operating activities:		
Loss for the year	\$ (706,152)	\$ (2,441,739)
Adjustments for:		
Depletion, depreciation and amortization	292,251	202,832
Accretion expense	6,526	12,371
Share-based compensation expense	59,919	-
Other income	(212,798)	-
Impairment of oil and gas properties	15,000	2,311,908
Unrealized loss on foreign exchange	3,287	4,938
Gain on reversal of decommissioning liability	(41,976)	(543,595)
Gain on disposal of assets	-	(63,000)
Gain on valuation of derivative liabilities	(887)	(113,587)
Operating cash flows before changes in non-cash working capital	(584,830)	(629,872)
Cash abandonment expenditures	(29,400)	-
Changes in non-cash working capital (Note 12)	(148,716)	(165,048)
Net cash used in operating activities:	(762,946)	(794,920)
Investing activities:		
Exploration and evaluation asset expenditures	(64,678)	(71,069)
Proceeds from sale of oil and gas properties	-	200,000
Property and equipment expenditures	(16,209)	(536,554)
Net cash used in investing activities:	(80,887)	(407,623)
Financing activities:		
Proceeds from issuance of common stock	1,132,322	1,027,595
Payment of share issuance costs	(52,429)	(39,788)
Net cash provided by financing activities:	1,079,893	987,807
Increase (decrease) in cash and cash equivalents	236,060	(214,736)
Cash and cash equivalents, beginning of year	744,042	957,410
Effect of exchange rate translation	(4,660)	1,368
Cash and cash equivalents, end of year	\$ 975,442	\$ 744,042

Consolidated Statement of Changes in Equity

Years Ended 30 June 2017 and 30 June 2016
(Expressed in U.S. Dollars)

	Share Capital	Share based Compensation Reserve	Warrants Reserve	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, 1 July 2016	\$ 35,968,547	\$ 1,471,989	\$ 1,009,486	\$ 22,066,879	\$ (821,967)	\$ (47,460,637)	\$ 12,234,297
Private placement, 2 December 2016 (Note 10)	320,262	-	-	-	-	-	320,262
Private placement, 22 December 2016 (Note 10)	759,631	-	-	-	-	-	759,631
Share-based compensation (Note 10)	-	59,919	-	-	-	-	59,919
Finder warrants issued (Note 10)	(93,002)	-	93,002	-	-	-	-
Net loss and comprehensive income	-	-	-	-	138	(706,152)	(706,014)
Balance, 30 June 2017	\$ 36,955,438	\$ 1,531,908	\$ 1,102,488	\$ 22,066,879	\$ (821,829)	\$ (48,166,789)	\$ 12,668,095

	Share Capital	Share based Compensation Reserve	Warrants Reserve	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, 1 July 2015	\$ 34,934,188	\$ 1,326,160	\$ 1,009,486	\$ 22,066,879	\$ (822,008)	\$ (45,018,898)	\$ 13,495,807
Private placement, 10 August 2015 (Note 10)	516,834	-	-	-	-	-	516,834
Private placement, 12 November 2015 (Note 10)	392,112	-	-	-	-	-	392,112
Shares issued on debt conversion (Note 10)	125,413	-	-	-	-	-	125,413
Share-based compensation (Notes 6, 7 and 10)	-	145,829	-	-	-	-	145,829
Net loss and comprehensive income	-	-	-	-	41	(2,441,739)	(2,441,698)
Balance, 30 June 2016	\$ 35,968,547	\$ 1,471,989	\$ 1,009,486	\$ 22,066,879	\$ (821,967)	\$ (47,460,637)	\$ 12,234,297

1. Nature of Business and Going Concern

Nature of Business

Strata-X Energy Ltd. (the "Company") was incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act of Alberta on 18 June 2007. Through its subsidiaries, the Company's business activities are directed primarily toward the acquisition, exploration and development of oil and gas properties in the states of California and Illinois within the United States and in the Republic of Botswana in Africa. The headquarters of the Company is located at 1550 Larimer Street, Suite #263, Denver, Colorado 80202.

Strata-X Energy, Ltd. is a publicly traded company on the TSX-Venture Exchange under the symbol "SXE.V", and on the Australian Securities Exchange under the symbol "ASX.SXA". Effective 23 November 2016, a 3 for 1 share consolidation was approved by the shareholders of the Company. These financial results are presented on the basis of the post-consolidated shares outstanding. All share, option, warrant and per share comparative numbers have been retroactively restated to reflect the share consolidation (Note 10).

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company incurred a net loss of \$706,152 for the year ended 30 June 2017 (2016 - \$2,441,739) and has an accumulated deficit of \$48,166,789 as of 30 June 2017 (2016 - \$47,460,637). In addition, the Company generated negative operating cash flows before changes in non-cash working capital of \$584,830 (2016 - \$629,872) for the year ended 30 June 2017.

Management has been and continues to be active in seeking additional means to sustain the Company's financial position during the current economic environment including but not limited to investigating potential partnership, merger and/or joint venture opportunities and acquiring and disposing of oil and natural gas properties. In addition, the Company continues to focus on moving forward in Stage 1 of the CSG Project (Note 18(b)). During the two years ended 30 June 2017, the Company was successful in completing three private placements for gross proceeds of approximately \$2,160,000. The proceeds of such offerings are utilized primarily towards funding operations, general and administrative expenses and exploration and development activities. Management anticipates the need for further financing and/or equity funding to fund future exploration and development of the Company's various oil and gas properties including the CSG Project (Note 18(b)).

The Company cannot provide any assurance that sufficient cash flows will be generated from operating activities or that proceeds from other activities noted above will be able to sustain the Company's financial position.

The above-noted factors describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management considers the Company a going concern and has prepared the consolidated financial statements on a going concern basis.

2. Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the "International Accounting Standards Board" ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of 20 September 2017, the date of the Board of Directors approval of the statements.

b) Reporting Entity

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Strata-X, Inc. domiciled in the United States and Strata-X Australia PTY Ltd. domiciled in Queensland, Australia. In January 2017, Rhino CBM (Proprietary) Limited ("Rhino") was incorporated in accordance with the Companies Act of the Republic of Botswana, Africa, and is a wholly-owned subsidiary of Strata-X, Australia PTY Ltd.

c) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and share-based compensation and warrant transactions, which were measured at fair value.

d) Functional and Presentation Currency

The consolidated financial statements are presented in United States Dollars. The parent Company's functional currency is the Canadian dollar. The functional currency of the Company's United States subsidiary and Australian subsidiary are United States and Australian dollars, respectively. The functional currency of Rhino, a wholly-owned subsidiary of the Company's Australian subsidiary, is the Botswana Pula.

e) Management's Significant Accounting Judgments, Estimates and Assumptions

The timely preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, 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.

2. Basis of Presentation (continued)

e) Management's Significant Accounting Judgments, Estimates and Assumptions (continued)

The following paragraphs discuss management's most critical assumptions, estimates and judgments in the preparation of the consolidated financial statements.

Key sources of estimation uncertainty

Recorded amounts for impairment, depletion and depreciation of oil and gas properties, the provision for decommissioning liabilities and the recognition of deferred tax assets due to changes in expected future cash flows are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions. The Company's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities*.

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

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts.

The amounts recorded relating to the fair value of stock options issued and fair values determined for share purchase warrants issued as part of a unit and finder warrants are based on estimates of the future volatility of the Company's share price, expected lives of the options or warrants, expected dividends, expected forfeiture rates, risk-free interest rates and other relevant assumptions.

The allocation between the common share and share purchase warrant components of the units issued is calculated using the fair value method whereby the fair value of each component is determined. Estimates are required to determine the fair value of each component.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. The availability of tax pools and other deductions are subject to audit and interpretation of taxation authorities.

Critical judgments in applying accounting policies

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events or circumstances and the determination of the area's technical feasibility and commercial viability, which, in turn, is dependent on future oil and natural gas prices, future capital expenditures and environmental and regulatory restrictions.

2. Basis of Presentation (continued)

e) Management's Significant Accounting Judgments, Estimates and Assumptions (continued)

The determination of Cash Generating Units ("CGUs") requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined primarily by similar geological structure, shared infrastructure and geographical proximity.

For the purposes of depletion, the Company allocates its oil and natural gas assets to components with similar lives and depletion methods. The groupings of assets are subject to management's judgment and are performed on the basis of geographical proximity and similar reserve life.

The Company is party to various joint interest, operating and other agreements in conjunction with its oil and gas activities. The revenues and expenses allocated between partners are governed by the terms of these agreements and are subject to interpretation and audit by the appropriate parties.

Judgments are required to assess when impairment indicators, or impairment reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, recent land sales, future costs, discount rates, and other relevant assumptions.

Judgments are made by management to determine the probability of the Company utilizing certain tax pools and assets which, in turn, is dependent on estimates of proved and probable reserves, production rates, future oil and natural gas prices and tax rates.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, substantive potential voting rights are taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing consolidated financial statements. The consolidated accounts are prepared using uniform accounting policies.

3. **Summary of Significant Accounting Policies (continued)**

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.

Exploration and Evaluation Assets

Pre-license expenditures incurred before the Company has obtained legal rights to explore an area are expensed.

Exploration and evaluation costs include the costs of acquiring licenses, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights and technical studies and general and administrative and overhead directly related to exploration activities. Exploration and evaluation costs are capitalized as exploration and evaluation assets and accumulated in cost centres by exploration area when the technical feasibility and commercial viability of extracting oil and natural gas reserves have yet to be determined. Exploration and evaluation assets are measured at cost and are not depleted or depreciated until after these assets are reclassified to property and equipment. 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. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are also assessed for impairment upon their reclassification to property and equipment. When an exploration and evaluation asset is determined not to be technically feasible or commercially viable, or the Company decides not to continue with its activity, the unrecoverable exploration and evaluation costs are charged to profit or loss as impairment of oil and gas properties.

Exchanges, swaps or farm-outs that involve only exploration and evaluation assets are accounted for at cost. Any gains or losses from the divestiture of exploration and evaluation assets are recognized in profit or loss.

Property and Equipment

a) Oil and Gas Properties

All costs directly associated with the development of oil and natural gas interests are capitalized on a field basis, as oil and natural gas interests if they extend or enhance the recoverable reserves of the underlying assets and are measured at cost less accumulated depletion and depreciation and net impairment losses. Development costs include expenditures for fields where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning costs, transfers from exploration and evaluation assets and general and administrative costs directly attributable to the development of oil and natural gas interests.

3. **Summary of Significant Accounting Policies (continued)**

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Exchanges, swaps or disposals 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 readily 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.

b) Computer Equipment and Software

Computer equipment and software is stated at cost less accumulated depreciation. Depreciation of computer equipment and software is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years.

Depletion and Depreciation of Oil and Gas Properties

Oil and natural gas interests are depleted using the unit-of-production method based on the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs to bring those reserves into production ("unit-of-production" method). Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as estimates of 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.

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of Oil and Gas Properties

The carrying amounts of the Company's oil and natural gas properties included in exploration and evaluation assets and property and equipment are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. These indicators include, but are not limited to, extended decreases in prices or margins for oil and natural gas commodities or products, a significant downward revision in estimated reserves or an upward revision in future development costs. If indicators of impairment exist, then the oil and natural gas interest's recoverable amount is estimated.

For the purpose of assessing impairments, exploration and evaluation assets and property and equipment are grouped into respective CGUs, each of which is typically defined as a geographical field of development.

3. **Summary of Significant Accounting Policies (continued)**

Exploration and evaluation assets are assessed for impairment when (i) sufficient data exists to determine technical feasibility and commercial viability and they are reclassified to property and equipment, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Indicators of impairment may include the decision to no longer pursue the evaluation project, an expiry of the rights to explore in an area, or failure to receive regulatory approval. If, at any time, it is determined that the Company 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, or fully de-recognized and the amount of the write-down is expensed in profit or loss.

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 defined as the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Unless otherwise indicated, the recoverable amount used in assessing impairment losses is fair value less costs of disposal. Fair value less costs of disposal is determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs, including future development costs. The cash flows are discounted at an appropriate discount rate, which would be applied by a willing 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 CGU 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 estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years or periods 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 if no impairment loss had been recognized.

Decommissioning Provisions

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's oil and natural gas interests and are recorded in the period a well or related asset is drilled, constructed or acquired. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using a determined pre-tax risk-free interest rate. 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 exploration and evaluation or property and equipment asset and is depleted or depreciated over the useful life of the asset. The provision is accreted over time through charges to finance expense with actual expenses charged against the accumulated liability. Changes in the future undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and related asset. Actual decommissioning expenditures are charged against the liability as the costs are incurred. Any differences between the recorded provision and the actual costs incurred are recorded as a gain or loss in profit or loss.

3.Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of each subsidiary at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The financial statements of entities that have a functional currency different from the presentation currency are translated into United States dollars at the exchange rate at the date of the statement of financial position for assets and liabilities, and at the average rate for revenues and expenses. All resulting changes are recognized as other comprehensive income.

Business Combinations

Business combinations are accounted for using the acquisition method when the acquisitions of companies and/or assets meet the definition of a business under IFRS. The identifiable net assets acquired are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in profit or loss. Transaction costs associated with the acquisition are expensed when incurred.

Share-Based Payments

The Company has a Stock Option Plan as described in Note 10 and stock options granted to directors, officers, employees and consultants of the Company are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the options at the grant date using the Black-Scholes option pricing model.

In addition, the Company may grant certain finders warrants in conjunction with equity issues. The Company measures share-based payments to non-employees at the fair value of goods and services received at the date of receipt of the good or service. If the fair value of the goods and services cannot be reliably measured, the value of the equity instrument granted will be used and measured using the Black-Scholes option pricing model.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost or share issue cost is expensed over the vesting period to profit or loss or equity, respectively, with a corresponding increase in contributed surplus. When stock options or warrants are exercised, the cash proceeds along with the amount previously recorded as share based compensation reserve or warrant reserve are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options or warrants that vest. When stock options or warrants are cancelled, they are treated as if they have vested on the date of cancellation and any cost not yet recognized in profit or loss is expensed immediately or adjusted in equity, respectively.

3. **Summary of Significant Accounting Policies (continued)**

Joint Arrangements

A portion of the Company's oil and natural gas activities involve jointly controlled assets and are conducted under joint operating agreements. The Company has assessed the nature of its joint arrangements and determined them to be joint operations. Accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

Revenue Recognition

Revenue from the sale of oil and gas is recognized when title passes to an external party and is measured at the fair value of the consideration received or receivable based on volumes delivered to customers at contractual delivery points and rates.

Equity Instruments

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

Share Purchase Warrants

Warrants enable shares of the Company to be acquired in the future at fixed prices. Share purchase warrants are not issued in exchange for goods or services. The Company reviews the terms and conditions of the share purchase warrants to determine whether the warrants have characteristics of:

- a derivative financial liability that is measured at fair value, with changes in value recorded in profit or loss; or
- an equity instrument.

The Company classifies their share purchase warrants denominated in U.S. dollars as equity.

Share purchase warrants denominated in a foreign currency different from the functional currency of the Company meet the definition of a derivative liability and are fair valued at each statement of financial position date using the Black-Scholes option pricing model, with changes in the fair value recognized in profit or loss.

Units

Consideration received on the sale of a unit consisting of a common share and warrant classified as equity is allocated, within equity, to their respective equity accounts on a reasonable basis. Two commonly accepted allocation approaches are the residual method and the relative fair value method. Under the residual method, one component is measured first and the residual amount is allocated to the remaining component. In contrast, under the relative fair value method the total proceeds of the instrument is allocated to the components in proportion to their relative fair values. The Company accounts for the issuance of units using the relative fair value method.

3. **Summary of Significant Accounting Policies (continued)**

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition of the instrument.

a) Classification and Measurement

The Company's non-derivative financial instruments are comprised of cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities, amounts due to related parties and accrued liabilities.

The Company has designated cash and cash equivalents and other assets as "held for trading" which is measured at fair value through profit or loss.

The Company has designated accounts receivable as "loans and receivables" and accounts payable and accrued liabilities, amounts due to related parties and accrued liabilities as "financial liabilities measured at amortized cost" whereby these financial instruments are measured at amortized cost at the settlement date using the effective interest method of amortization.

b) Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are recorded at their fair value on the date the derivative contract is entered into. They are subsequently re-measured at their fair value at each statement of financial position date, and the changes in the fair value are recognized in profit or loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the consolidated statement of financial position date.

c) Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that financial assets, other than those designated as "fair value through profit or loss" are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence may include significant financial difficulty of obligor and/or delinquency in payment. When impairment has occurred, the cumulative loss is recognized in profit or 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. Impairment losses may be reversed in subsequent periods.

Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options and warrants if dilutive, using the treasury stock method. Under the treasury stock method, the number of additional shares is calculated by assuming that the outstanding stock options and warrants are exercised and that the proceeds from such exercises are used to acquire shares of common stock at the average market price during the period.

3. **Summary of Significant Accounting Policies (continued)**

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes 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 and unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses and unused tax credits can be utilized.

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 tax 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.

Finance Income and Expenses

Finance income consists of interest income and is recognized as it accrues in profit or loss using the effective interest method.

Finance expense is comprised of accretion of the discount on decommissioning provisions.

Future Changes in Accounting Policies

The following standards have been issued but are not yet effective:

IFRS 9 “Financial Instruments” (“IFRS 9”) will replace IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple categories and measurement models in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single forward-looking “expected loss” impairment method to be used. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company does not expect any significant changes as a result of the adoption of IFRS 9.

3. Summary of Significant Accounting Policies (continued)

IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”) will replace IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC-31 “Revenue – Barter Transactions Involving Advertising Services”. IFRS 15 provides new standards for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers as well as more informative and relevant disclosures. The new standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company does not expect any significant changes as a result of the adoption of IFRS 15.

IFRS 16 “Leases” (“IFRS 16”) will replace the previous lease standards, IAS 17 “Leases”. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model and requires recognition of assets and liabilities for most leases. IFRS 16 is effective for periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect any significant changes as a result of the adoption of IFRS 16.

4. Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenditures. Segment results, assets and capital expenditures include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, and for which discrete financial information is available. All geographic segments are regularly reviewed by management in order to assess performance and allocate resources. As discussed in Note 2(b) and 18(b), the Company has begun exploration activity in the Republic of Botswana, Africa.

The Company operates in one industry segment, being the oil and gas industry, in several geographic locations. Segmented information in USD by geographic location is as follows:

As at and for the year ended 30 June 2017:

	Canada	United States	Australia	Botswana	Total
Revenues	\$ -	167,264	-	-	\$ 167,264
Income (Loss)	\$ (283,456)	(441,846)	19,150	-	\$ (706,152)
Non-current Assets	\$ -	12,339,357	-	64,678	\$ 12,404,035
Total Assets	\$ 9,138	13,117,154	260,396	64,678	\$ 13,451,366
Total Liabilities	\$ 33,966	700,106	49,199	-	\$ 783,271

As at and for the year ended 30 June 2016:

	Canada	United States	Australia	Total
Revenues	\$ -	134,243	-	\$ 134,243
Loss	\$ (329,420)	(2,100,694)	(11,625)	\$ (2,441,739)
Non-current Assets	\$ -	12,685,399	-	\$ 12,685,399
Total Assets	\$ 2,327	13,468,052	45,198	\$ 13,515,577
Total Liabilities	\$ 33,101	1,207,832	40,347	\$ 1,281,280

5. Other Assets

Other assets consist of restricted amounts held by certificates of deposit and amounts held in interest-bearing accounts at state banks as the Company is required by state agencies in California, Texas, and North Dakota to use the funds for potential future remediation of certain properties in these states. The amounts have been classified as non-current as the Company does not expect to complete the remediation in the next 12 months.

6. Exploration and Evaluation Assets

	<u>30 June 2017</u>	<u>30 June 2016</u>
Balance, beginning of year	\$ -	\$ 1,907,780
Additions (Note 18(b))	64,678	126,069
Impairment loss	-	(2,033,849)
	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 64,678</u>	<u>\$ -</u>

As at 30 June 2017, the Company determined there were no indicators of impairment or indications that impairment losses on exploration and evaluation assets recognized in prior periods be reversed.

As at 30 June 2016, the Company determined there to be indicators of impairment regarding exploration and evaluation assets, based on the prolonged decline of crude oil prices and management's reallocation of future spending capital.

During the year ended 30 June 2016, the Company recorded an impairment loss of \$493,000 related to properties located in California, \$1,435,849 related to properties located in North Dakota and \$105,000 related to properties in Wyoming as management determined that the carrying values of these projects exceeded their recoverable amount.

Capitalized general and administrative expenses directly related to exploration and evaluation assets and that are included in additions to exploration and evaluation assets above for the years ended 30 June 2017 and 30 June 2016 are \$nil and \$58,333 which includes \$nil and \$55,000 of stock-based compensation, respectively.

7. Property and Equipment

Cost						
	Balance at 30 June 2015	Additions	Dispositions	Balance at 30 June 2016	Additions	Change in Decommissioning Provision
Oil and gas properties	\$ 12,582,358	\$ 763,455	\$ (248,580)	\$ 13,097,223	\$ 16,209	\$ (70,000)
Computer equipment and software	19,032	-	-	19,032	-	-
	<u>\$ 12,601,390</u>	<u>\$ 763,455</u>	<u>\$ (248,580)</u>	<u>\$ 13,116,255</u>	<u>\$ 16,209</u>	<u>\$ (70,000)</u>
						<u>\$ 13,043,432</u>
						<u>\$ 13,062,484</u>
Accumulated Depletion, Depreciation, Amortization and Impairment						
	Balance at 30 June 2015	Additions	Impairment Loss	Balance at 30 June 2016	Additions	Balance at 30 June 2017
Oil and gas properties	\$ 269,725	\$ 200,159	\$ 195,000	\$ 664,884	\$ 289,475	\$ 954,359
Computer equipment and software	10,533	2,673	-	13,206	2,776	15,982
	<u>\$ 280,258</u>	<u>\$ 202,832</u>	<u>\$ 195,000</u>	<u>\$ 678,090</u>	<u>\$ 292,251</u>	<u>\$ 970,341</u>
Net Book Value						
	Balance at 30 June 2016	Balance at 30 June 2017				
Oil and gas properties	\$ 12,432,339	\$ 12,089,073				
Computer equipment and software	5,826	3,050				
	<u>\$ 12,438,165</u>	<u>\$ 12,092,123</u>				

Capitalized general and administrative expenses that comprise additions to property and equipment above for the year ended 30 June 2017 and 30 June 2016 are \$Nil and \$286,329 which includes \$nil and \$90,829 of stock-based compensation, respectively.

During the year ended 30 June 2017, the Company disposed of its working interest in a property with a carrying value of \$nil to two officers of the Company for a royalty interest on the lease. No gain or loss was recorded as the fair value of the royalty interest on the lease was estimated to be \$nil.

During the year ended 30 June 2016, the Company disposed of its working interest in a property located in California for total cash proceeds of \$200,000 and the settlement of \$63,000 of net amounts owed to the purchaser, for a total gain on sale of \$63,000.

The calculation of depletion, depreciation and amortization expense for the year ended 30 June 2017 included future development costs of approximately \$5.5 million (2016 - \$5.5 million) associated with the development of the Company's proved and probable reserves.

7. Property and Equipment (continued)

Impairment

(a) Impairment – 30 June 2017

The Company assesses many factors when determining if an impairment test should be performed. At 30 June 2017, the Company determined that impairment indicators existed for the Company's CGUs considering the year over year decline in the forecast commodity prices as published by the Company's external reserve evaluators. At 30 June 2017 recoverable amounts for the California and Illinois CGUs exceeded the Company's carrying value for these oil and gas properties and management determined no impairment loss was required based on the assessment performed.

The recoverable amounts of specific CGUs were estimated at the fair value less costs of disposal based on the net present value of the before tax future net cash flows from oil and natural gas proved and probable reserves using forecasted prices published by the Company's external reserve evaluators at 30 June 2017 based on total proved and probable reserves estimated by the Company's external reserve evaluators. The future net cash flows for all impairment test calculations performed were discounted at a rate of 10% per annum. The estimation of proved and probable reserves and related net cash flows is inherently subjective and involves considerable estimation uncertainty.

Key assumptions used in the determination of the recoverable amounts of each CGU includes commodity prices and discount rates applied to cash flows from proved and probable reserves. A 1% increase in the assumed discount rate over the life of the reserves independently would not result in any additional impairment loss for the year ended 30 June 2017.

The following represents the forecasted prices used to determine recoverable amounts in the 30 June 2017 impairment test:

<u>Calendar year</u>	<u>At 30 June 2017 Average USD price per barrel (WTI Index)</u>
2017 (6 months)	\$50.00
2018	\$55.00
2019	\$60.00
2020	\$65.00
2021	\$67.50
2022	\$70.00
2023	\$72.50
2024 and thereafter	2% escalation

In performing the impairment tests, the benchmark prices are adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

7. Property and Equipment (continued)

(a) Impairment – 30 June 2016

During the year ended 30 June 2016, the Company determined that impairment indicators existed for the Company's CGUs. In performing the review, management determined that the decline in forecast commodity prices year over year as published by the Company's external reserve evaluators justified review of the recoverable amount of all CGUs.

The recoverable amounts of specific CGUs were estimated at the fair value less costs of disposal based on the net present value of the before tax future net cash flows from oil and natural gas proved and probable reserves using forecasted prices published by the Company's external reserve evaluators at 31 December 2015 and 30 June 2016 based on total proved and probable reserves estimated by the Company's external reserve evaluators. The future net cash flows for all impairment test calculations performed were discounted at a rate of 10% per annum. The estimation of proved and probable reserves and related net cash flows is inherently subjective and involves considerable estimation uncertainty.

An impairment loss of \$195,000 was recognized for the year ended 30 June 2016 related to properties in Texas where the recoverable amount was determined to be \$nil, and has been included in impairment loss. The recoverable amounts for the California and Illinois CGUs exceeded the Company's carrying value for these oil and gas properties and no impairment loss was required based on the assessment performed during the year ended 30 June 2016.

The following represents the forecasted prices used to determine recoverable amounts for the impairment tests noted above:

<u>Calendar year</u>	<u>At 30 June 2016 Average USD price per barrel (WTI Index)</u>	<u>At 31 December 2015 Average USD price per barrel (WTI Index)</u>
2016 (6 months)	\$50.00	\$45.00
2017	\$55.00	\$55.00
2018	\$65.00	\$65.00
2019	\$70.00	\$70.00
2020	\$75.00	\$75.00
2021	\$78.00	\$78.00
2022	\$81.00	\$81.00
2023 and thereafter	2% escalation	2% escalation

In performing the impairment tests, the benchmark prices are adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

8. Amounts Due to Related Parties

Amounts due to companies controlled by directors of the Company are unsecured, bear no interest and have no specific terms of repayment. See further discussion of related party amounts in Note 15.

9. Decommissioning Provisions

The future decommissioning liabilities are determined by management and are based on the Company's net ownership interest, the estimated future costs to reclaim and abandon the wells, and the estimated timing of when the costs will be incurred.

	<u>30 June 2017</u>	<u>30 June 2016</u>
Balance, beginning of year	\$ 633,000	\$ 993,683
Change in discount rate and timing of cash flows	(70,000)	194,131
Additions	15,000	25,000
Dispositions / settlements	(41,976)	(592,185)
Decommissioning expenditures	(29,400)	-
Accretion expense	6,526	12,371
	<u>\$ 513,150</u>	<u>\$ 633,000</u>
Balance, end of year	<u>\$ 513,150</u>	<u>\$ 633,000</u>

The Company has calculated the fair value of decommissioning provisions using a discount rate of 2.7% (2016 – 1.8%) and an estimated inflation rate of 1.8% (2016 – 1.8%). The estimated undiscounted future cash flows to settle decommissioning provisions are \$728,000 (30 June 2016 - \$800,000) and are expected to be realized over a period defined as the remaining useful life in the Company's most recent reserve report which is approximately 10 to 20 years.

The change in the discount rate used for calculating the decommissioning liability during the year ended 30 June 2017 resulted in a decrease to the liability and a corresponding decrease to property and equipment of \$70,000 and a gain in profit or loss of \$41,976 was recognized on abandonment of certain oil and gas properties for the year ended 30 June 2017.

The fair value of certain oil and natural gas properties of the Company was determined to be \$nil during the year ended 30 June 2017. Accordingly, the change in discount rate and estimates related to these properties was recorded as an adjustment to impairment loss for the year ending 30 June 2017 of \$15,000 (2016 - \$83,059).

During the year ended 30 June 2016, the Company was released from future decommissioning obligations related to property located in Texas with an asset value of \$Nil. As a result, the provision amount of \$543,595 related to this property was reversed and reflected as a gain on the statement of loss for the year ended 30 June 2016.

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 0.5% increase in the risk-free rate would decrease the decommissioning liability by \$30,000 at 30 June 2017.

10. Share Capital

Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares without nominal or par value

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares and determine the designation, rights, privileges, restrictions and conditions attached to each series of shares.

Common shares issued and outstanding:

	Number	Amount
Balance at 30 June 2015	52,195,005	\$ 34,934,188
Private placement, 10 August 2015	3,436,750	556,622
Share issuance costs		(39,788)
Private placement, 12 November 2015	2,345,833	392,112
Shares issued on debt conversion	797,620	125,413
Balance at 30 June 2016	58,775,208	35,968,547
Private placement, 2 December 2016	8,700,000	320,262
Private placement, 22 December 2016	22,350,000	812,060
Share issuance costs		(145,431)
Balance at 30 June 2017	89,825,208	\$ 36,955,438

Share Consolidation

Effective 23 November 2016, the shareholders of the Company approved a 3 for 1 share consolidation. The exercise price of outstanding stock options and warrants was proportionately adjusted based upon the consolidation ratio. All share, option, warrant and per share amounts disclosed in these financial statements have been adjusted retroactively for the consolidation.

Common Stock Offerings

On 2 December 2016, the Company completed a private placement of 8,700,000 Chess Depository Interest ("CDI"), or common shares, as the first tranche of an overall capital raise. The second tranche closed on 22 December 2016 with the placement of an additional 22,350,000 CDI, or common shares. Gross proceeds of CDN\$1,519,888 (US\$1,132,322) were realized from the placements, and placement costs of CDN\$193,636 (US\$145,431) were incurred including \$93,002 of costs attributable to the value of finder warrants issued (Note 10). Of the second tranche, two directors of the Company subscribed for a total of 7,000,000 CDI, or common shares for CDN\$342,647 (US\$254,336).

10. Share Capital (continued)

Common Stock Offerings (continued)

On 10 August 2015, the Company completed a private placement of 10,310,250 units. Each unit consists of one CDI and one half of a warrant. Each CDI is equivalent to and exchangeable for one common share of stock of the Company. Each warrant is exercisable into one CDI, or common share, at an exercise price of AUD\$0.12 per share. The warrants expired unexercised on 31 January 2017. The gross proceeds of CDN\$ 798,134 (US\$611,363) and CDN\$71,472 (US\$54,741) were allocated to the common shares and warrants, respectively. The fair value of the 5,155,125 warrants on 10 August 2015 of CDN \$0.02 per warrant was determined using the Black Scholes model using the following assumptions: share price of AUD \$0.065; expected dividend rate of 0%; expected volatility of 64%; risk free rate of 0.65%; and expected life of 1.5 years.

On 12 November 2015, the Company completed a private placement of 7,037,500 units. Each unit consists of one CDI and one half of a warrant. Each CDI is equivalent to and exchangeable for one common share of the Company. Each warrant is exercisable into one CDI, or common share, at an exercise price of AUD\$0.12 per share. The warrants expired unexercised on 31 January 2017. The gross proceeds of CDN\$ 546,791 (US\$416,232) and CDN\$32,104 (US\$24,120) were allocated to the common shares and warrants, respectively. The fair value of the 3,518,750 warrants on 12 November 2015 of CDN \$0.01 per warrant was determined using the Black Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 73%; risk free rate of 0.41%; and expected life of 1.2 years.

Conversion of Debt

On 16 November 2015, the Company issued 2,392,858 common shares to certain directors and past directors of the Company in consideration for settlement of amounts owing to related parties of CDN\$167,500 (USD \$125,413) at a deemed price of CDN\$0.07 per share. No gain or loss was determined as the fair value of the consideration was equal to the debt settlement amounts.

Warrants

Finder warrants

A total of 3,881,250 finder warrants were issued on 9 January 2017 to the joint lead managers as placement fees for the private placements of CDI's closed on 2 December 2016 and 22 December 2016, with each finder warrant exercisable at AUD\$0.07 per share to acquire one CDI of the Company until 9 January 2020, at which time the warrants expire. The fair value of the finder warrants of AUD\$126,405 (US\$93,002) is recorded as share issuance costs during the year ended 30 June 2017.

The finder warrants issued during the year ended 30 June 2017 were measured using the Black Scholes model with the following assumptions:

	30 June 2017
Share price (AUD)	\$0.06
Risk-free rate	0.84%
Expected life (years)	3.0
Expected volatility	91.7%
Dividend yield	0.0%
Forfeiture rate	0.0%

Expected volatility was determined based on the Company's historical volatility.

Share purchase warrants

Share purchase warrants have been classified as a derivative financial liability since the exercise price of the warrants is fixed in Canadian dollars or Australian dollars, but the functional currency of the Company is US dollars.

The activity related to the derivative financial liability associated with the warrants is as follows:

	30 June 2017	30 June 2016
Balance, beginning of year	\$ 886	\$ 26,456
Warrants issued	-	78,861
Fair value adjustments	(887)	(113,587)
Foreign exchange loss	1	9,156
Balance, end of year	\$ -	\$ 886

As at 30 June 2017, there were no share purchase warrants outstanding and 6,166,293 share purchase warrants expired unexercised during the year.

The fair value of the share purchase warrants granted during the year ended 30 June 2016 was determined based on the following weighted average assumptions:

	30 June 2016
Share price (AUD)	\$0.03
Risk-free rate	0.65%
Expected life (years)	0.5
Expected volatility	79.9%
Dividend yield	0.0%
Forfeiture rate	0.0%

Activity related to the number of warrants outstanding and exercisable for the Company for the years ended 30 June 2017 and 2016 is as follows:

	30 June 2017			30 June 2016		
	Number	Weighted Average Exercise Price	Currency	Number	Weighted Average Exercise Price	Currency
Balance, beginning of year	6,166,293	\$ 0.96		3,946,796	\$ 1.44	
Share purchase w arrants issued in private placement at 10 August 2015	-	-		1,718,375	0.36	AUD
Share purchase w arrants issued in private placement at 12 November 2015	-	-		1,172,917	0.36	AUD
Finder w arrants - 9 January 2017	3,881,250	0.07	AUD	-	-	
Expiration of share purchase w arrants	(6,166,293)	0.96		(671,795)	1.20	CDN
Balance, end of year	<u>3,881,250</u>	<u>\$ 0.07</u>		<u>6,166,293</u>	<u>\$ 0.96</u>	

The following table summarizes information on finder warrants outstanding at 30 June 2017:

Exercise Price	Currency	Number Outstanding	Weighted Average Contractual Life (years)
\$ 0.07	AUD	3,881,250	2.53

The Company has established a stock option plan for the benefit of directors, officers and technical consultants of the Company.

Pursuant to the Stock Option Plan, 10% of the issued and outstanding common shares have been reserved for options to be granted to the directors and officers of the Company. The vesting period and the exercise price of the options shall be determined by the Board of Directors. The period during which an option is exercisable shall be determined by the Board of Directors at the time of grant, but subject to the rules of the stock exchange or other applicable regulatory body.

The following table summarizes the activity of the stock options. The exercise price of the various issuances of options over time are in Canadian and Australian dollars.

	Year ended June 30			
	2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	4,956,667	\$ 0.60	2,190,000	\$ 0.99
Granted	-	-	3,133,334	0.36
Expired	(16,667)	1.50	(366,667)	0.93
Outstanding, end of year	<u>4,940,000</u>	<u>\$ 0.59</u>	<u>4,956,667</u>	<u>\$ 0.60</u>
Exercisable, end of year	<u>4,173,333</u>	<u>\$ 0.64</u>	<u>2,510,834</u>	<u>\$ 0.78</u>

The Company granted 1,466,667 options on 11 September 2015 that vest in 25% increments every six months beginning on 11 March 2016 with the final 25% increment of options vesting on 11 September 2017.

The Company granted 1,666,667 options on 19 October 2015 that vest in 25% increments every six months beginning on 19 April 2016 with the final 25% increment of options vesting on 19 October 2017.

The following table summarizes information on stock options outstanding and exercisable at 30 June 2017:

Exercise Price	Currency	Number Outstanding	Number Exercisable	Weighted Average Contractual Life (years)
\$ 0.90	CDN	1,306,667	1,306,667	3.54
\$ 1.02	CDN	283,333	283,333	5.24
\$ 1.23	CDN	250,000	250,000	1.31
\$ 1.50	CDN	33,333	33,333	0.80
\$ 0.36	AUD	3,066,667	2,300,000	3.04
		<u>4,940,000</u>	<u>4,173,333</u>	

The Company uses the Black-Scholes option pricing model to value the options at each grant date under the following weighted average assumptions:

	30 June 2016
Exercise price	<u>\$0.36 AUD</u>
Grant date fair value	\$0.07 AUD
Expected dividend rate	0%
Expected volatility	58%
Risk-free interest rate	0.84%
Expected life of options (years)	4.88
Forfeiture rate	0.0%
Share price on grant date	\$0.12 AUD

Expected volatility was determined based on the Company's historical volatility and a comparison to other companies in the business of exploration for and development of production of oil and natural gas. A forfeiture rate of 0% was used when recording share-based compensation as it is expected that all officers, directors, employees and consultants will continue with the Company over the vesting period.

The fair value recognized for stock options during the year ended 30 June 2017 is \$59,919 (2016 - \$145,829) and is included in general and administrative expense with a corresponding adjustment to share based compensation reserve.

During the year ended 30 June 2016, the Company capitalized \$90,829 of share-based compensation expense to property and equipment and \$55,000 to exploration and evaluation assets with a corresponding adjustment to share based compensation reserve.

11. Loss per Common Share

The basic loss per common share is based on the weighted average number of common shares outstanding for the year ended 30 June 2017 and 2016 of 75,414,921 and 57,222,016, respectively. The stock options and finders and share purchase warrants are anti-dilutive and have not been included in the weighted average number of common shares for the calculation of diluted loss per common share.

12. Supplemental Cash Flow Information

(a) Changes in non-cash working capital items:

	Year ended 30 June	
	2017	2016
Accounts receivable	\$ 17,820	\$ 16,705
Prepays and other	(3,573)	(5,000)
Accounts payable and accrued liabilities	(73,018)	68,259
Due to related parties	(89,945)	(245,012)
Change related to operating activities	<u>\$ (148,716)</u>	<u>\$ (165,048)</u>

Non-cash transactions excluded from the statements of cash flows (note 7 and 10)

(b) Cash and cash equivalents is comprised of:

	As at 30 June	
	2017	2016
Balances with banks in current accounts	\$ 297,231	\$ 92,010
Money market savings account	<u>678,211</u>	<u>652,032</u>
	<u>\$ 975,442</u>	<u>\$ 744,042</u>

(c) Net finance expense for the year ended 30 June 2017 includes \$6,526 in accretion expense (note 9) (2016 – \$12,371) net of finance income of \$4,436 (2016 - \$2,384).

13. Income Taxes

The components of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	Year ended 30 June	
	2017	2016
Property and equipment	\$ (1,964,000)	\$ (691,000)
Decommissioning provisions	192,000	237,000
Non-capital losses	12,198,000	9,750,000
Other	56,000	168,000
Tax assets not recognized	(10,482,000)	(9,464,000)
Deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

As at 30 June 2017, the Company has non-capital loss carryforwards by domestic country which will expire as follows:

	United States (USD\$)	Canada (CAD\$)	Australia (AUD\$)
2028	\$ -	\$ 24,000	\$ -
2029	-	30,000	-
2030	-	44,000	-
2031	906,000	290,000	-
2032	1,768,000	392,000	-
2033	5,463,000	1,406,000	-
2034	2,119,000	1,420,000	20,000
2035	11,677,000	1,547,000	7,000
2036	6,217,000	1,176,000	152,000
2037	413,000	625,000	-
	<u>\$ 28,563,000</u>	<u>\$ 6,954,000</u>	<u>\$ 179,000</u>

A reconciliation of income taxes at statutory rates is as follows:

	Year ended 30 June	
	2017	2016
Loss before income taxes	\$ (706,152)	\$ (2,441,739)
Statutory tax rate	37.50%	37.50%
Expected income tax recovery	(265,000)	(916,000)
Non-deductible stock-based compensation	19,000	50,000
Change in tax assets not recognized	1,018,000	836,000
Effect of tax return filings	(760,000)	-
Effect of tax rate differences and other	(12,000)	30,000
Net income tax recovery	\$ -	\$ -

14. Oil and Gas Revenue

	Year ended 30 June	
	2017	2016
Loss before income taxes	\$ (706,152)	\$ (2,441,739)
Statutory tax rate	37.50%	37.50%
Expected income tax recovery	(265,000)	(916,000)
Non-deductible stock-based compensation	19,000	50,000
Change in tax assets not recognized	1,018,000	836,000
Effect of tax return filings	(760,000)	-
Effect of tax rate differences and other	(12,000)	30,000
Net income tax recovery	\$ -	\$ -

15. Related Party Transactions

The Company utilizes the services of an outside firm in which the majority owner of the firm is a member of the board of directors of the Company. The contract with this firm for ongoing accounting, reporting and tax compliance services calls for monthly retainer payments of approximately \$4,100. During the year ended 30 June 2017, the Company incurred approximately \$48,800 (2016 - \$63,600) in costs payable to the outside firm for accounting services and is included in general and administrative expenses. At 30 June 2017, amounts owing and included in due to related parties is approximately \$4,100 (2016 - \$5,300).

On 16 November 2015, the Company issued common shares to certain directors of the Company in consideration of settlement of debt as discussed in Note 10.

Total compensation paid to key management personnel which includes both directors and officers identified above as well as incentive stock compensation related to the granting and vesting of stock options during the period, was approximately \$355,500 (2016 - \$563,500) for the year ended 30 June 2017.

Total salary expenses for employees, directors and management included in general and administrative expenses on the statement of loss for 2017 is \$255,500 (2016 - \$232,000) and the capitalized portion is \$nil (2016 - \$198,800).

During the year ended 30 June 2016, the directors waived compensation in the amount of approximately \$87,000 for their services.

16. Financial Instruments

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

The following provide an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data and are significant to the overall fair value measurement.

16. Financial Instruments (continued)

The carrying value of accounts receivable, accounts payable and accrued liabilities and amounts due to related parties included in the statement of financial position approximate fair value due to the short-term nature of those instruments and the manner in which they are settled. The fair value of these instruments is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

As at 30 June 2017, the Company had only cash and cash equivalents and other assets as “fair value through profit or loss”, measured at fair value – Level 1. In addition, the Company used a Level 3 measure in determining the recoverable amount of property and equipment at 30 June 2017 and 2016.

Financial risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, market risk, credit risk, liquidity risk, commodity price risk and foreign exchange risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance. There were no changes to the Company's risk management policies or processes during the year ended 30 June 2017 and 2016.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economy. The Company continues to monitor its actual and forecast cash flows to review whether there are adequate reserves to meet its financial obligations on an ongoing basis. As at 30 June 2017, the Company had a positive working capital of approximately \$840,300. Continuing weak commodity prices experienced during 2016 and 2017 have negatively impacted earnings and operating cash flow for the fiscal year.

The Company continues to focus on minimal capital activities, other than moving forward in Stage 1 of the CSG Project (Note 18(b)). In addition and as discussed in Note 1, management continues to seek additional means to sustain the Company's financial position and liquidity including but not limited to investigating potential partnership, merger and/or joint venture opportunities and acquiring and disposing of oil and natural gas properties and, as circumstances and conditions dictate, the successful completion of further private placements. As discussed in Note 10, during the year ended 30 June 2017, the Company was successful in completing a private placement generating CDN\$1,449,254 (US\$1,079,893) after placement costs. The Company cannot provide any assurance that sufficient cash flows will be generated from operating activities or that proceeds from other activities will be able to provide adequate working capital to sustain operations for the long-term.

Financial Instruments (continued)

The Company's non-derivative financial liabilities on the statement of financial position consist of the following and contractual maturities:

	<u>Less than a year</u>	<u>After 5 years</u>
Accounts payable and accrued liabilities	\$ 140,016	\$ -
Amounts due to related parties	67,057	-
Accrued liabilities	<u>-</u>	<u>63,048</u>
	<u>\$ 207,073</u>	<u>\$ 63,048</u>

The amounts recorded for accrued liabilities relates to amounts received from joint interest partners for their share of future remediation of oil and natural gas interests (Note 5).

The Company is also subject to commitments as disclosed in Note 18. During the year ended 30 June 2017, the Company recognized a gain on the extinguishment of certain trade payables of \$212,798 and has included the amount as other income in the statement of loss. Management has determined that these obligations no longer exist at 30 June 2017.

Market risk

The Company's exposure to financial market risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, foreign exchange risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash and cash equivalents and other assets. Management does not believe this risk is significant.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate as a result of a change in foreign exchange rates. The Company cannot give any assurance that any future movements in the exchange rates of the U.S. dollar against the Canadian dollar, the Australian dollar and the Botswana dollar will not adversely affect the consolidated financial statements. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

As at 30 June 2017, \$8,737 of cash and cash equivalents, \$1,008 of accounts receivable, and \$33,966 of accounts payable are exposed to fluctuations with the Canadian dollar. As at 30 June 2017, \$261,540 of cash and cash equivalents and \$49,199 of accounts payable are exposed to fluctuations with the Australian dollar. As at 30 June 2017, there are no financial instruments exposed to fluctuations with the Botswana dollar. Management does not believe this risk is significant and the sensitivity to fluctuations in foreign exchange rate changes is minimal.

Commodity price risk

Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. The nature of the Company's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also world economic events that dictate the levels of supply and demand. The Company does not use derivative instruments to reduce its exposure to commodity price risk.

Credit risk

The Company's exposure to credit risk relates to cash and cash equivalents, accounts receivables and other assets and arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk and concentration risk by keeping the majority of its cash and cash equivalents and other assets with major chartered banks. The Company performs continuous evaluation of its accounts receivables and records an allowance for doubtful accounts when determined necessary. The Company's maximum exposure to credit risk is equal to the carrying value of these financial assets being \$1,283,012 at 30 June 2017 (2016 - \$1,069,432). It is management's opinion that the level of credit risk is low due to the credit-worthiness of the counterparties involved and that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business.

As of 30 June 2017 and 2016, the Company recorded an allowance for doubtful accounts of \$156,090 related to an amount due from a project operator that was greater than 90 days outstanding. Included in accounts receivable is amounts past due of \$39,528.

17. Capital Management

The Company's objective when managing capital is to progress the development of natural gas properties under Rhino through maintaining adequate cash resources to support planned activities through the prudent deployment of capital which may include the acquisition and development of oil and gas properties. The Company includes shareholders' equity in the definition of capital. As noted above, the Company continues to focus on activities that represent the best and highest use of available capital in the current price environment.

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities.

Historically, funding for the Company's plan was primarily managed through the issuance of additional common shares and through its commercial activities. There are no assurances that funds will be made available to the Company when required. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements other than as disclosed in note 5.

Total capital managed is as follows:

	<u>2017</u>	<u>2016</u>
Shareholders' equity	<u>\$ 12,668,095</u>	<u>\$ 12,234,297</u>

Total capital managed increased from prior year due to the proceeds from the private placement activity in December 2016, offset by an overall use of cash in operating activities for the year.

18. Commitments

(a) Office space

The Company has a rental agreement for office premises to 31 October 2017 for a total obligation of approximately \$10,000 excluding operating costs.

(a) Farm-in agreement

In December 2016, Rhino entered into a farm-in agreement ("Agreement") with an arms-length company ("Farmco") for a 3 stage farm-in over an expected term of 3 years to earn up to 75% of the Serowe coal seam gas project ("CSG Project") located in the Kalahari Basin CSG Fairway in Botswana, Africa. The Company has completed all conditions in order to commence stage 1 of the farm-in. In March 2017 the tenements were transferred from Farmco to Rhino. In accordance with the Agreement, Farmco must subscribe for ordinary shares of Rhino ("Rhino Shares"). At 30 June 2017, Farmco has not yet subscribed for the Rhino shares. When the conditions are formally waived and Farmco subscribes for the Rhino shares, Rhino will hold 75% of the Rhino Shares and Farmco will hold 25% of the Rhino Shares. The Rhino Shares to be issued to Farmco will be at 1 Botswanan Pula (BPU\$1) per Rhino Share, being the estimated fair value of the tenements on the date of transfer. Under the terms of the Agreement, Rhino has agreed to use all reasonable endeavors to complete Stage 1 of the Agreement one year from the date of transfer of the tenements and will provide all necessary funding and resources. If Stage 1 is not completed by the Stage 1 Milestone Date being March 2018, Rhino has an option to request an extension from Farmco. Furthermore, once Stage 1 is completed, Rhino earns the right to the Stage 1 earned interest being 25% and Rhino will have the option to begin Stage 2 and Stage 3 thereafter. Stage 1 of the farm-in involves Rhino conducting exploration to obtain contingent resources certification comprising:

- Conducting desorption tests of two existing core wells; and
- The drilling of one completion and production test well.

Management estimates the costs to complete Stage 1 of the farm-in to be approximately \$AUD \$1,300,000. The Company expects to complete further equity issuances in order to complete Stage 1, however there is no assurance that the Company will be successful in doing so. Under the Agreement Rhino will be the operator of the farm-in and Farmco and Rhino have agreed to negotiate and enter into a joint operating agreement for the development of the farm-in prior to the completion of Stage 1.

The Agreement may be terminated at any time without penalty, subject to the transfer of the tenements back to Farmco, with each party responsible for their share of costs incurred to date of termination.

Rhino has recorded approximately \$65,000 of license acquisition costs and other related costs as exploration and evaluation assets at 30 June 2017. In addition, approximately \$34,000 of costs have been included in profit or loss related to indirect costs associated with the preliminary activities related to the CSG Project.

**STRATA-X ENERGY LTD.
STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION
(Form 51-101F1)**

Part 1 – Date of Statement

This statement of reserves data and other oil and gas information is dated August 1, 2017.

The effective date is June 30, 2017.

The preparation date is July 24, 2017.

Part 2 – Disclosure of Reserves Data

The following is a summary of the oil and natural gas reserves and the value of future net revenue of Strata-X Energy Ltd. (the "Company") as evaluated by Chapman Petroleum Engineering Ltd. ("Chapman") as at June 30, 2017, and dated July 24, 2017 (the "Chapman Report"). Chapman is an independent qualified reserves evaluator and auditor.

All evaluations of future revenue are after the deduction of future income tax expenses, unless otherwise noted in the tables, royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the Chapman Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the Chapman Report. The recovery and reserves estimates on the Company's properties described herein are estimates only. The actual reserves on the Company's properties may be greater or less than those calculated.

All monetary values presented in this document are expressed in terms of Canadian dollars.

SUMMARY OF OIL AND GAS RESERVES BASED ON FORECAST PRICES AND COSTS AS AT JUNE 30, 2017

Reserves Category	Company Reserves ⁽¹⁾							
	Light and Medium Oil		Heavy Oil		Conventional Natural Gas ⁽⁹⁾		Natural Gas Liquids	
	Gross MSTB	Net MSTB	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbbl	Net Mbbbl
PROVED								
Developed Producing ⁽²⁾⁽⁶⁾	34	28	0	0	0	0	0	0
Developed Non-Producing ⁽²⁾⁽⁷⁾	39	33	0	0	0	0	0	0
Undeveloped ⁽²⁾⁽⁸⁾	123	105	0	0	0	0	0	0
TOTAL PROVED⁽²⁾	195	166	0	0	0	0	0	0
TOTAL PROBABLE⁽³⁾	1,471	1,253	0	0	0	0	0	0
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	1,666	1,419	0	0	0	0	0	0

SUMMARY OF NET PRESENT VALUES BASED ON FORECAST PRICES AND COSTS AS AT JUNE 30, 2017

Reserves Category	Net Present Values of Future Net Revenue									
	Before Income Tax					After Income Tax				
	Discounted at					Discounted at				
	0%/yr M\$	5%/yr. M\$	10%/yr. M\$	15%/yr. M\$	20%/yr. M\$	0%/yr M\$	5%/yr. M\$	10%/yr. M\$	15%/yr. M\$	20%/yr. M\$
PROVED										
Developed Producing ⁽²⁾⁽⁶⁾	1,236	1,041	895	782	693	1,236	1,041	895	782	693
Developed Non-Producing ⁽²⁾⁽⁷⁾	1,480	1,244	1,066	927	819	1,480	1,244	1,066	927	819
Undeveloped ⁽²⁾⁽⁸⁾	4,148	3,433	2,888	2,465	2,129	4,148	3,433	2,888	2,465	2,129
TOTAL PROVED⁽²⁾	6,864	5,718	4,849	4,175	3,641	6,864	5,718	4,849	4,175	3,641
TOTAL PROBABLE⁽³⁾	70,044	50,333	37,819	29,413	23,500	55,780	41,492	32,092	25,566	20,838
TOTAL PROVED + PROBABLE⁽²⁾⁽³⁾	76,908	56,051	42,668	33,587	27,142	62,644	47,211	36,941	29,740	24,480

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
BASED ON FORECAST PRICES AND COSTS
AS JUNE 30, 2017**

	Revenue (M\$)	Royalties (M\$)	Wellhead Taxes (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Abandonment and Reclamation Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Total Proved ⁽²⁾	11,875	1,783	101	1,979	1,078	70	6,864	0	6,864
Total Proved Plus Probable ⁽²⁾⁽³⁾	115,158	17,097	948	14,548	5,472	184	76,908	(14,264)	62,644

**FUTURE NET REVENUE BY PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS
AS AT JUNE 30, 2017**

Reserve Category	Product Type	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M\$)
Total Proved ⁽²⁾	Light and Medium Oil (including solution gas and other by-products)	4,849
	Heavy Oil (including solution gas and other by-products)	0
	Conventional Natural Gas (including by-products but not solution gas)	0
Total Proved Plus Probable ⁽²⁾⁽³⁾	Light and Medium Oil (including solution gas and other by-products)	42,668
	Heavy Oil (including solution gas and other by-products)	0
	Conventional Natural Gas (including by-products but not solution gas)	0

**OIL AND GAS RESERVES AND NET PRESENT VALUES BY PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS
AS AT JUNE 30, 2017**

Product Type by Reserve Category	Reserves						Net Present	Unit Values
	Oil		Conventional Natural Gas ⁽⁹⁾		NGL		Value (BIT)	@ 10%/yr
	Gross MSTB	Net MSTB	Gross MMscf	Net MMscf	Gross Mbbl	Net Mbbl	10% M\$	
Light and Medium Oil								
Proved								
Developed Producing	34	28	0	0	0	0	895	31.50
Developed Non-Producing	39	33	0	0	0	0	1,066	32.66
Undeveloped	123	105	0	0	0	0	2,888	27.02
Total Proved	195	166	0	0	0	0	4,849	28.90
Probable	1,471	1,253	0	0	0	0	37,819	30.22
Proved Plus Probable	1,666	1,419	0	0	0	0	42,668	30.06

Notes:

1. "Gross Reserves" are the Company's working interest (operating or non-operating) share before deducting of royalties and without including any royalty interests of the Company. "Net Reserves" are the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interests in reserves.
2. "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
3. "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
4. "Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.
5. "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
6. "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
7. "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
8. "Undeveloped" reserves are those reserves expected to be recovered from know accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.
9. Includes associated, non-associated and solution gas where applicable.

Part 3 - Pricing Assumptions

The following table details the benchmark reference prices for the regions in which the Company operated, as at June 30, 2017 reflected in the reserves data disclosed above under “Part 2 – Disclosure of Reserves Data”. The forecast price assumptions assume the continuance of current laws and regulations and take into account inflation with respect to future operating and capital costs. There will be adjustments to field prices from the benchmarks below.

CRUDE OIL HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES

July 1, 2017

Date	WTI [1] \$US/STB	Brent Spot (ICE)[2] \$US/STB	AB Synthetic Crude Price [3] \$CDN/STB	Western Canada Select [4] \$CDN/STB	Exchange Rate \$US/\$CDN
HISTORICAL PRICES					
2009	61.95	61.74	76.77	53.04	0.88
2010	79.48	79.61	80.56	66.58	0.97
2011	94.88	111.26	102.45	77.43	1.01
2012	94.05	111.63	92.56	71.70	1.00
2013	97.98	108.56	100.17	75.76	0.97
2014	93.12	99.43	101.07	82.07	0.91
2015	48.69	53.32	62.17	46.23	0.78
2016	43.17	45.06	57.98	38.90	0.76
2017 6 mos.	50.04	52.75	68.36	5.06	0.75
CONSTANT PRICES (The average of the first-day-of-the-month price for the preceding 12 months-SEC)					
	48.89	51.27	65.00	47.37	0.75
FORECAST PRICES					
2017	50.00	52.50	69.44	52.08	0.76
2018	55.00	57.75	72.40	51.40	0.80
2019	60.00	63.00	75.94	53.92	0.83
2020	65.00	68.25	81.96	58.19	0.83
2021	67.50	70.88	83.06	58.97	0.85
2022	70.00	73.50	86.00	61.06	0.85
2023	72.50	76.13	88.94	63.15	0.85
2024	75.00	78.75	91.89	65.24	0.85
2025	77.50	81.38	94.83	67.33	0.85
2026	80.00	84.00	97.77	69.42	0.85
2027	82.50	86.63	100.71	71.50	0.85
2028	84.15	88.36	102.65	72.88	0.85
2029	85.83	90.12	104.63	74.29	0.85
2030	87.55	91.93	106.65	75.72	0.85
2031	89.30	93.77	108.71	77.18	0.85
2032	91.09	95.64	110.81	78.68	0.85

Escalated 2% thereafter

- Notes:
- [1] West Texas Intermediate quality (D2/S2) crude (40API) landed in Cushing, Oklahoma.
 - [2] The Brent Spot price is estimated based on historic data.
 - [3] Equivalent price for Light Sweet Crude (D2/S2) & Synthetic Crude landed in Edmonton.
 - [4] Western Canada Select (20.5API), spot price for B.C., Alberta, Saskatchewan, and Manitoba.

The Company's weighted average prices received this fiscal year are: \$N/A/Mscf for conventional natural gas and \$45.76/STB.

Part 4 – Reconciliation of Changes in Reserves

The following table sets forth a reconciliation of the changes in the Company's gross reserves as at June 30, 2017 against such reserves as at June 30, 2016 based on the forecast price and cost assumptions:

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS AS AT JUNE 30, 2017

	Light and Medium Oil			Heavy Oil			Conventional Natural Gas (Associated and Non-Associated)		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved Plus Probable (Mbbbl)	Proved (MMscf)	Probable (MMscf)	Proved Plus Probable (MMscf)
At June 30, 2016	203	1,478	1,681	-	-	-	-	-	-
Production(Sales)	(4)	0	(4)	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-
Economic Factors	(4)	(9)	(13)	-	-	-	-	-	-
Technical Revisions	0	2	2	-	-	-	-	-	-
At June 30, 2017	195	1471	1,666	-	-	-	-	-	-

Part 5 – Additional Information Relating to Reserves Data

Undeveloped Reserves

The following table sets forth the volumes of proved undeveloped net reserves that were first attributed for each of the Company's product types for the most recent three financial years and in the aggregate before that time:

	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Conventional Natural Gas (MMscf)	Natural Gas Liquids (Mbbbl)
Aggregate prior to 2015	0	0	0	0
2015	123	0	0	0
2016	0	0	0	0
2017	0	0	0	0

Proved undeveloped reserves were assigned to identified drilling locations within a mapped oil accumulation which are close to existing wells with logs clearly indicating oil pay. These locations are expected to be drilled and on production during 2018.

The following table sets forth the volumes of probable undeveloped net reserves that were first attributed for each of the Company's product types for the most recent three financial years and in the aggregate before that time:

	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Conventional Natural Gas (MMscf)	Natural Gas Liquids (Mbbbl)
Aggregate prior to 2015	121	0	0	0
2015	1,309	0	0	0
2016	0	0	0	0
2017	0	0	0	0

Probable undeveloped reserves were assigned to locations within a mapped oil accumulation where commercial oil production rates are expected to be drilled and on production between 2018 and early 2019.

Significant Factors or Uncertainties

The estimation of reserves requires significant judgment and decisions based on available geological, geophysical, engineering and economic data. These estimates can change substantially as additional information from ongoing development activities and production performance becomes available and as economic and political conditions impact oil and gas prices and costs change. The Company's estimates are based on current production forecast, prices and economic conditions. All of the Company's reserves are evaluated by Chapman Petroleum Engineering Ltd., an independent engineering firm.

As circumstances change and additional data becomes available, reserve estimates also change. Based on new information, reserves estimates are reviewed and revised, either upward or downward, as warranted. Although every reasonable effort has been made by the Company to ensure that reserves estimate are accurate, revisions may arise as new information becomes available. As new geological, production and economic data is incorporated into the process of estimating reserves the accuracy of the reserve estimate improves.

Future Development Costs

The following table shows the development costs anticipated in the next five years, which have been deducted in the estimation of the future net revenues of the proved and probable reserves.

	Total Proved Estimated Using Forecast Prices and Costs (Undiscounted) (M\$)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs (Undiscounted) (M\$)
2017	0	0
2018	1,078	2,858
2019	0	2,614
2020	0	0
2021	0	0
Total for five years	1,078	5,472
Remainder	0	0
Total for all years	1,078	5,472

The ability of the Company to continue as a going concern and to realize the carrying value of the proved and probable reserves and discharge its liabilities when due depends on the success of the Company's exploration and development of its oil and gas properties, as well as the ability of the Company to obtain additional financing or equity to fund the exploration and development of those oil and gas properties.

Part 6 – Other Oil and Gas Information

Oil and Gas Properties and Wells

The following table sets forth the number of wells in which the Company held a working interest as at June 30, 2017:

	Oil		Natural Gas	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Blue Spruce Water flood Area, Illinois				
Producing	0	0	-	-
Non-producing	1	1	-	-
Xenia Field, Illinois				
Producing	1	1	-	-
Non-producing	3	2.3	-	-
Totals:	5	4.3	-	-

[1] Total number of wells in which the Company has a working interest.

[2] Total number of wells in which the Company has a working interest multiplied by the Company working interest in each well.

All of the Company's wells are located onshore in Clay and Wayne Counties, Illinois, USA.

There is one well in the Xenia field, Clay County, Illinois currently producing from the Lingle formation, and three wells that are non-producing (temporarily).

One temporarily shut in well is completed in the Aux Vases formation in the Blue Spruce Area in Wayne County, Illinois.

Properties with No Attributed Reserves

The Company is currently reviewing the following projects that have No Attributed Reserves at this time. These are the Lingle Project in Wayne, Clay and Effingham Counties in Illinois.. More information on the exploration and development plans for these projects can be found in the Company's Fiscal Year 2017 annual Report and MD&A.

Forward Contracts

Currently, the Company has no forward contracts.

Tax Horizon

The Company is not expected to become taxable in the Total Proved case. The Company expected to become taxable in 2023 and remain taxable thereafter under the proved plus probable cash flows forecast in this report.

Costs Incurred

The following table summarizes the capital expenditures made by the Company on oil and conventional natural gas properties for the year ended June 30, 2017.

Property Acquisition Costs (M\$)		Exploration Costs (M\$)	Development Costs (M\$)
Proved Properties	Unproved Properties		
Nil	nil	\$64,678	\$16,209

Exploration and Development Activities

The following table sets forth the number of exploratory and development wells which the Company completed during its 2017 financial year:

	Exploratory Wells		Development Wells	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Oil Wells	0	0	0	0
Gas Wells	0	0	0	0
Service Wells	0	0	0	0
Dry Holes	0	0	0	0
Total Completed Wells	0	0	0	0

[1] Total number of wells in which the Company has a working interest.

[2] Total number of wells in which the Company has a working interest multiplied by the Company working interest in each well.

The Company did not drill or develop any additional reserves in the fiscal year.

Production Estimates

The following table sets forth the volume of production estimated by Chapman for 2017 (6 mo.):

TOTAL PROVED RESERVES				
AREA	Light and Medium Oil (Mbbl)	Heavy Oil (Mbbl)	Natural Gas (MMscf)	Natural Gas Liquids (Mbbl)
Blue Spruce Waterflood Area, IL	0	0	0	0
Xenia Field, Illinois	3.7	0	0	0
Total for all areas	3.7	0	0	0

TOTAL PROVED PLUS PROBABLE RESERVES				
AREA	Light and Medium Oil (Mbbl)	Heavy Oil (Mbbl)	Natural Gas (MMscf)	Natural Gas Liquids (Mbbl)
Eagle Field, California	0	0	0	0
Blue Spruce Waterflood Area, IL	0	0	0	0
Xenia Field, Illinois	4.1	0	0	0
Total for all areas	4.1	0	0	0

These values are gross to Company's working interest before the deduction of royalties payable to others.

Production History

The following table sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by the Company for each quarter of its most recently completed financial year:

	Three Months Ended September 30, 2016	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017
Average Daily Production				
Light and Medium Oil (Bbl/d)	19.2	7.2	7.0	4.0
Natural Gas (Mscf/d)	Nil	Nil	Nil	Nil
Average Net Prices Received				
Light and Medium Oil (\$/Bbl)	\$41.77	\$45.59	\$57.89	\$36.74
Natural Gas (\$/Mscf)	Nil	Nil	Nil	Nil
Royalties				
Light and Medium Oil (\$/Bbl)	\$6.73	\$7.34	\$7.58	\$7.17
Natural Gas (\$/Mscf)	Nil	Nil	Nil	Nil
Production Costs				
Light and Medium Oil (\$/Bbl)	\$35.67	\$30.64	\$23.47	\$101.23
Natural Gas (\$/Mscf)	Nil	Nil	Nil	Nil
Netback Received				
Light and Medium Oil (\$/Bbl)	\$1.28	\$7.03	\$25.05	\$(69.70)
Natural Gas (\$/Mscf)	Nil	Nil	Nil	Nil

Definitions

In this document, the abbreviations set forth below have the following meanings:

Oil and Natural Gas

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
Mcf	thousand standard cubic feet
MMcf	million standard cubic feet
Bcf	billion cubic feet
TCF	trillion cubic feet

Other

Hydrocarbon Index- measure of the hydrogen richness of the source rock, and when the kerogen type is known it can be used to estimate the thermal maturity of the rock.

OOIP – Original Oil in Place.

Permeability – the ability or measurement of a rock's ability to transmit fluids.

Porosity – percentage of pore volume or void space or that volume within rock that can contain fluids.

Reservoir Rock – refers to a subsurface pool of hydrocarbons contained in porous or fractured rock formations.

Rock Eval – is used to identify the type and maturity of organic matter and to detect petroleum potential in sediments.

Source Rock - refers to carbon bearing rocks from which hydrocarbons have been generated or are capable of being generated.

Tmax -highest temperature incurred by a Source Rock, generally higher temperatures equates to larger hydrocarbon generation.

Total Organic Carbon (TOC) – amount of carbon in a geological formation, mainly Source Rocks.