

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Financial Statements
For the Three Months Ended 30 September 2013
(Expressed in U.S. Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

The Company's external auditors, Collins Barrow Edmonton LLP, have not performed a review of these interim condensed consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Date

STRATA-X ENERGY LTD.

(Unaudited)

Interim Condensed Consolidated Statements of Financial Position

30 September 2013

(Expressed in U.S. Dollars)

	30 September 2013	30 June 2013
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,413,931	\$ 8,566,438
Accounts receivable	51,003	78,642
Deposits (Note 5)	52,000	-
Prepays and other	14,007	13,779
Total current assets	5,530,941	8,658,859
Other assets (Note 6)	325,836	225,836
Exploration and evaluation assets (Note 7)	15,681,720	12,303,585
Property and equipment (Note 10)	514,220	526,114
Total assets	\$ 22,052,717	\$ 21,714,394
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,335,553	\$ 689,323
Deposits	24,900	24,900
Amounts due to related parties (Notes 8 and 16)	76,550	76,550
Derivative warrants (Note 12)	44,442	23,278
Total current liabilities	1,481,445	814,051
Derivative warrants (Note 12)	1,339,115	883,371
Accrued liabilities	63,048	63,048
Decommissioning provisions (Note 11)	644,690	639,061
Total liabilities	3,528,298	2,399,531
SHAREHOLDERS' EQUITY:		
Share capital (Note 12)	26,689,884	26,674,351
Share based compensation reserve	972,174	930,617
Warrant reserve	890,954	890,954
Contributed surplus (Note 13)	22,066,879	22,066,879
Accumulated other comprehensive income	(895,428)	(883,488)
Deficit	(31,200,044)	(30,364,450)
Total shareholders' equity	18,524,419	19,314,863
Total liabilities and shareholders' equity	\$ 22,052,717	\$ 21,714,394

Approved on behalf of the Board

Director

See accompanying notes

Director

STRATA-X ENERGY LTD.

(Unaudited)

Interim Condensed Consolidated Statements of Comprehensive Loss

(Expressed in U.S. Dollars)

	Three months ended 30 September	
	2013	2012
Oil and gas revenue	\$ 14,744	\$ 12,248
Expenses		
Production and exploration	69,629	166,775
General and administrative	316,167	474,186
Depletion, depreciation and amortization	13,325	859
Impairment of oil and gas properties	-	8,623
	<u>399,121</u>	<u>650,443</u>
Loss before other income	(384,377)	(638,195)
Other income	<u>11,528</u>	<u>15,000</u>
Net operating loss	(372,849)	(623,195)
Gain (loss) on valuation of derivative liabilities	(458,570)	171,057
Net finance expense	<u>(4,175)</u>	<u>(3,907)</u>
Net loss	(835,594)	(456,045)
Other comprehensive income (loss)		
<i>Items that will not be reclassified subsequently to profit or loss</i>	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences in translating foreign operations	<u>(11,940)</u>	<u>28,102</u>
Other comprehensive income (loss) for the period	<u>(11,940)</u>	<u>28,102</u>
Comprehensive loss	<u>\$ (847,534)</u>	<u>\$ (427,943)</u>
Net loss per common share, basic and diluted (Note 14)	\$ (0.01)	\$ (0.01)

See accompanying notes

STRATA-X ENERGY LTD.

Consolidated Statements of Changes in Equity

For the Three Months Ended 30 September 2013 and 30 September 2012

(Expressed in U.S. Dollars)

	Share Capital	Share based Compensation Reserve	Warrants Reserve	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, 1 July 2013	\$ 26,674,351	\$ 930,617	\$ 890,954	\$ 22,066,879	\$ (883,488)	\$ (30,364,450)	\$ 19,314,863
Vesting of issued stock options	-	41,557	-	-	-	-	41,557
Exercise of stock options (Note 12)	15,533	-	-	-	-	-	15,533
Comprehensive loss	-	-	-	-	(11,940)	(835,594)	(847,534)
Balance, 30 September 2013	<u>\$ 26,689,884</u>	<u>\$ 972,174</u>	<u>\$ 890,954</u>	<u>\$ 22,066,879</u>	<u>\$ (895,428)</u>	<u>\$ (31,200,044)</u>	<u>\$ 18,524,419</u>
	Share Capital	Share based Compensation Reserve	Warrants Reserve	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, 1 July 2012	\$ 7,893,217	\$ 376,506	\$ 586,304	\$ 22,066,879	\$ 22,501	\$ (29,017,136)	\$ 1,928,271
Private placement, 13 July 2012 (Note 12)	67,620	-	-	-	-	-	67,620
Shares issued in consideration for acquisition of working interest in oil and gas property (Note 12)	762,517	-	-	-	-	-	762,517
Shares issued in consideration for an extension agreement for certain oil and gas interests (Note 12)	99,443	-	-	-	-	-	99,443
Stock options issued	-	288,646	-	-	-	-	288,646
Finders warrants issued (Note 12)	-	-	40,124	-	-	-	40,124
Comprehensive income (loss)	-	-	-	-	28,102	(456,045)	(427,943)
Balance, 30 September 2012	<u>\$ 8,822,797</u>	<u>\$ 665,152</u>	<u>\$ 626,428</u>	<u>\$ 22,066,879</u>	<u>\$ 50,603</u>	<u>\$ (29,473,181)</u>	<u>\$ 2,758,678</u>

STRATA-X ENERGY LTD.

(Unaudited)

Interim Condensed Consolidated Statements of Cash Flows

For the Three Months Ended 30 September 2013 and 30 September 2012

(Expressed in U.S. Dollars)

	Three months ended 30 September	
	2013	2012
Cash and cash equivalents provided by (used in):		
Operating activities:		
Net loss for the period	\$ (835,594)	\$ (456,045)
Adjustments for:		
Depletion, depreciation and amortization	13,325	859
Accretion of decommissioning provisions	5,629	3,839
Share-based compensation	41,557	328,770
Impairment of oil and gas properties	-	8,623
(Gain) loss on valuation of derivative liabilities	458,570	(171,057)
Operating cash flow before changes in non-cash working capital	(316,513)	(285,011)
Changes in non-cash working capital (Note 14)	33,295	6,217
Net cash used in operating activities:	(283,218)	(278,794)
Investing activities:		
Acquisition of exploration and evaluation assets	(2,800,905)	(2,071,730)
Acquisition of property and equipment	(1,432)	(32,575)
Acquisition of investments	-	(31)
Net cash used in investing activities:	(2,802,337)	(2,104,336)
Financing activities:		
Proceeds from issuance of convertible debentures	-	1,196,186
Proceeds from issuance of common stock	-	174,289
Proceeds from exercise of stock options	15,533	-
Payment of share issuance costs	-	(56,794)
Deposits (paid) received, net	(52,000)	22,880
Amounts (paid to) received from related parties	(30,193)	(53,893)
Net cash provided (used) by financing activities:	(66,660)	1,282,668
Decrease in cash and cash equivalents	(3,152,215)	(1,100,462)
Cash and cash equivalents, beginning of period	8,566,438	2,283,006
Effect of exchange rate translation	(292)	28,102
Cash and cash equivalents, end of period	\$ 5,413,931	\$ 1,210,646

See accompanying notes

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2013

(Expressed in U.S. Dollars)

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. The Company completed a qualifying transaction effective 22 September 2011, acquiring all of the issued and outstanding common shares of Strata-X, Inc., a company incorporated under the laws of the State of Colorado in the United States whose business activities are directed primarily toward the acquisition, exploration and development of oil and gas properties in the states of Texas, California, North Dakota, Colorado and Illinois within the United States and within western Australia. The Company was created as a Capital Pool Corporation (CPC) as defined in policy 2.4 of the TSX Venture Exchange and first operated under the name Ozcapital Ventures Inc. Initially, the Company had no commercial operations. Instead, its primary business purpose was to identify and evaluate businesses suitable for a qualifying transaction. Subsequent to the qualifying transaction, the activities of the Company have been directed primarily toward the activities of Strata-X, Inc., including acquisition, exploration and development of oil and gas properties within the states in the United States previously noted and within western Australia. The Company also changed its name and trading symbol from Ozcapital Ventures Inc. to Strata-X Ltd. as a result of the qualifying transaction. In October 2012, the Company completed a name change from Strata-X Ltd. to Strata-X Energy Ltd. and announced a continuation into the province of British Columbia. The registered office of the Company is located at 2080-777 Hornby Street, Vancouver, British Columbia, Canada, V6Z 1S4.

Going Concern

The interim condensed consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards, 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 \$835,421 for the three months ended 30 September 2013.

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 is dependent 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 Note 12, in March 2013, the Company completed its initial public offering on the Australian Stock Exchange (ASX) resulting in proceeds of approximately \$12,668,000 to be utilized primarily towards funding of exploration and development of the Company's various oil and gas properties as well as ongoing working capital for general and administration expenses. Management anticipates the need for further financing and/or equity funding in the future to continue to fund budgeted development and operational activities.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2013

(Expressed in U.S. Dollars)

1. Nature of Business and Going Concern (continued)

Going Concern (continued)

The interim condensed 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.

2. Basis of Presentation

a) Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, “Interim Financial Reporting”, as issued by the “International Accounting Standards Board” (“IASB”). Accordingly, certain financial information and disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. The disclosure herein is incremental to the disclosure included in the annual financial statements. The interim condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended 30 June 2013.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of **xx October 2013**, the date of the Board of Directors approval of the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending 30 June 2014 could result in restatement of these interim condensed consolidated financial statements.

b) Basis of Measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

c) Functional Currency

The interim condensed consolidated financial statements are presented in United States dollars, which is the Company’s functional currency.

d) Use of Estimates

The preparation of financial statements in conformity with IFRS 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 interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

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Notes to the Interim Condensed Consolidated Financial Statements

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(Expressed in U.S. Dollars)

2. Basis of Presentation (continued)

d) Use of Estimates (continued)

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 estimates and judgments in determining the value of assets, liabilities and equity.

Recorded amounts for impairment, depletion and depreciation of oil and gas properties and equipment 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 value of exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves which in turn, is dependent on future oil and natural gas prices, future capital expenditures and environmental and regulatory restrictions.

The value of decommissioning liabilities depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures. Actual results could differ from those estimates.

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.

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, estimated market price of the Company's shares at grant date, expected lives of the options, expected dividends and other relevant assumptions.

The amounts recorded relating to the fair value of derivative liabilities associated with warrants issued and the equity conversion feature of convertible debentures issued is based on estimates of the future volatility of the Company's share price, estimated market price of the Company's shares at the grant date and subsequent measurement dates, the remaining expected lives of the derivative instruments, expected dividends and other relevant assumptions.

The amounts recorded for deferred income taxes are based on 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, tax rates and interpretations by taxation authorities.

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Notes to the Interim Condensed Consolidated Financial Statements

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3. Significant Accounting Policies

The condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the Company's 30 June 2013 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 2013 annual financial statements.

4. Segment Reporting

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

	Canada	United States	Australia	Total
Revenues	-	14,744	-	14,744
Interest Expense	-	-	-	-
Depreciation	-	13,325	-	13,325
Net loss	639,637	188,592	7,365	835,594
Assets	134,424	21,393,387	524,906	22,052,717
Liabilities	1,448,921	2,044,927	34,450	3,528,298

5. Deposits

Deposits as of 30 September 2013 represent funds held in escrow by the operator of properties located in California in the United States to be utilized toward future exploration activities.

6. Other Assets

Other assets consist of certificates of deposit and other financial instruments held by the Company as required by state agencies in California, Colorado, Texas, Illinois and North Dakota as restricted amounts to be utilized for potential future remediation of certain properties in these states.

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(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2013

(Expressed in U.S. Dollars)

7. Exploration and Evaluation Assets

	Three months ended 30 September 2013	Year ended 30 June 2013
Balance, beginning of period	\$ 12,303,585	\$ 3,481,188
Addition	3,378,135	8,989,036
Impairment incurred	-	(40,564)
Dry hole costs expensed	-	(126,075)
Balance, end of period	<u>\$ 15,681,720</u>	<u>\$ 12,303,585</u>

During the year ended 30 June 2013, the Company recorded an impairment of \$40,564 related to its West Florence property. The Company also recorded dry hole costs of \$126,075 related to its Vallecito property.

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 16.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

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(Expressed in U.S. Dollars)

9. Convertible Debentures

On 13 July 2012, the Company completed a second private placement representing an extension of the initial private placement of 29 June 2012, that included CDN \$200,000 (US \$196,020) in unsecured debentures bearing interest at 5% per annum, compounded semi-annually. The debentures were due to mature on 13 July 2013 and were convertible into units on the basis of one unit for each CDN \$0.25 of the principal amount of debenture and accrued interest. Each unit issued upon conversion was to comprise one common share and one-half of a common share purchase warrant, with one warrant exercisable at CDN \$0.50 per share to acquire one common share of the Company until 13 July 2014, at which time the warrants expire.

On 30 October 2012, the Company completed a non-brokered private placement of CDN \$4,181,000 (US \$4,182,672) convertible debentures bearing interest at 5% per annum compounded semi-annually with a maturity date of 30 October 2014. The debentures were convertible into units on the basis of one unit for each CDN \$0.25 of the principal amount of debenture. Each unit issued upon conversion of principal amount was to comprise one common share and one-half of a common share purchase warrant, with one warrant exercisable at CDN \$0.50 per share to acquire one common share of the Company until 30 October 2016, at which time the warrants expire. Accrued interest was to be payable in arrears in units at the semi-annual payment dates on the basis of the market price of the Company's common shares at the time interest was due. Each unit comprises one share and one-half of a common share purchase warrant, with one warrant exercisable at CDN \$0.50 per share to acquire one common share until 30 October 2016, at which time the warrants expire.

On 21 December 2012, the convertible debentures dated 29 June 2012 and 13 July 2012 were converted into units per the provisions of each when the Company lodged a prospectus with the Australian Securities and Investment Commission (ASIC) for the eventual co-listing of its shares on the ASX. The balances related to the convertible debentures and the related derivative financial liabilities of CDN\$3,087,375 (US\$3,088,610) and CDN\$438,518 (US\$438,693), respectively, were reclassified as share capital and derivative warrants and a gain on conversion of US\$297,575 was recorded in profit and loss.

On 12 February 2013, the accrued interest related to the convertible debentures dated 29 June 2012 and 13 July 2012 were converted into units per the provisions of each when the initial public offering related to the listing of shares of the Company on the ASX was closed. The total accrued interest balance of CDN\$77,431 (US\$77,175) was reclassified as share capital and derivative warrants.

On 13 February 2013, the convertible debentures dated 30 October 2012 and the related accrued interest, were converted into units per the provisions of the debentures when the initial public offering related to the listing of shares of the Company on the ASX was closed. Certain balances of accrued interest payable to related parties converted directly into shares of common stock. The balances of CDN\$3,573,831 (US\$3,567,398) and CDN\$1,045,327 (US\$1,043,445) related to the convertible debentures and the related derivative financial liability were reclassified as share capital and derivative warrants and a gain on conversion of US\$439,916 was recorded in profit and loss.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2013

(Expressed in U.S. Dollars)

9. Convertible Debentures (continued)

The activity related to the convertible debentures and derivative financial liabilities representing the conversion feature of convertible debentures is as follows:

	Convertible Debentures	Derivative Financial Liabilities	Total
Balance, 30 June 2012	\$ 2,705,442	\$ 258,404	\$ 2,963,846
Issuance of debentures	3,674,552	704,140	4,378,692
Accretion	200,036	-	200,036
Derivative loss on revaluation	-	515,510	515,510
Conversion of debentures	(6,672,204)	(1,484,834)	(8,157,038)
Foreign exchange loss	92,174	6,780	98,954
Balance, 30 June 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2013

(Expressed in U.S. Dollars)

10. Property and Equipment**Cost**

	Balance at 1 July 2012	Additions	Disposals and Adjustments	Balance at 30 June 2013	Additions	Disposals and Adjustments	Balance at 30 September 2013
Oil and gas properties	\$ 4,774,487	\$ 402,243	\$ (4,621,813)	\$ 554,917	\$ -	\$ -	\$ 554,917
Computer equipment and software	7,464	7,518	-	14,982	1,431	-	16,413
	<u>\$ 4,781,951</u>	<u>\$ 409,761</u>	<u>\$ (4,621,813)</u>	<u>\$ 569,899</u>	<u>\$ 1,431</u>	<u>\$ -</u>	<u>\$ 571,330</u>

Accumulated Depletion, Depreciation, Amortization and Impairment

	Balance at 1 July 2012	Additions	Disposals	Balance at 30 June 2013	Additions	Disposals	Balance at 30 September 2013
Oil and gas properties	\$ 4,619,274	\$ 41,084	\$ (4,619,761)	\$ 40,597	\$ 12,505	\$ -	\$ 53,102
Computer equipment and software	1,319	1,869	-	3,188	820	-	4,008
	<u>\$ 4,620,593</u>	<u>\$ 42,953</u>	<u>\$ (4,619,761)</u>	<u>\$ 43,785</u>	<u>\$ 13,325</u>	<u>\$ -</u>	<u>\$ 57,110</u>

Net Book Value

	Balance at 30 June 2013	Balance at 30 September 2013
Oil and gas properties	\$ 514,320	\$ 501,815
Computer equipment and software	11,794	12,405
	<u>\$ 526,114</u>	<u>\$ 514,220</u>

During the year ended 30 June 2013, the Company relinquished its interest in the Flour Bluff property and recorded a disposal of \$4,579,810 of cost and \$4,619,761 of accumulated depletion, depreciation, amortization and impairment. The remaining \$194,678 of net book value for the property relates to the residual value of the asset that will be recovered.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2013

(Expressed in U.S. Dollars)

11. Decommissioning Provisions

	Three months ended 30 September 2013	Year ended 30 June 2013
Balance, beginning of period	\$ 639,061	\$ 571,719
Change in estimate	-	12,370
Retirement of obligation	-	(25,000)
Net present value of new obligation	-	60,000
Accretion expense	5,629	19,972
Balance, end of period	<u>\$ 644,690</u>	<u>\$ 639,061</u>

The Company has calculated the fair value of decommissioning provisions using a discount rate of 5.5%. The estimated undiscounted future cash flows to settle decommissioning provisions are \$839,160 (30 June 2013 - \$839,160) and are expected to be realized over a period of approximately 14 years.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2013

(Expressed in U.S. Dollars)

12. 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.

Issued and outstanding:

	<u>Number</u>	<u>Amount</u>
Balance at 30 June 2012	44,690,656	\$ 7,893,217
Shares issued for cash, 13 July 2012	300,000	67,620
Shares issued in consideration for an extension agreement for certain oil and gas interests	999,789	300,761
Shares issued in consideration for acquisition of working interest in oil and gas property	3,000,000	762,517
Shares issued for cash, 31 October 2012	1,255,600	244,032
Exercise of stock options	1,087,500	110,573
Shares issued on conversion of convertible debentures, 21 December 2012	12,920,000	2,795,512
Shares issued on conversion of accrued interest on convertible debentures, 12 February 2013 and 13 February 2013	471,615	111,408
Shares issued on conversion of convertible debentures, 13 February 2013	16,724,000	3,272,277
Share issuance costs	-	(185,621)
Shares issued in Australian public offering	42,303,293	13,257,620
Share issuance costs	-	(1,955,565)
Balance at 30 June 2013	123,752,453	26,674,351
Exercise of stock options	160,000	15,533
Balance at 30 September 2013	<u>123,912,453</u>	<u>\$ 26,689,884</u>

As at 30 September 2013, 5,530,000 common shares were in escrow pursuant to TSX Escrow agreements dated 11 July 2008 and 9 September 2011.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2013

(Expressed in U.S. Dollars)

12. Share Capital (continued)

Common Stock Offerings

As discussed in Note 8, the Company completed a second private placement of common stock and convertible debentures on 13 July 2012 pursuant to an extension of an initial private placement of 29 June 2012. A total of 300,000 units were issued in the second private placement at a price of CDN\$0.25 per unit. Each unit comprises one common share and one-half of a common share purchase warrant, with one whole warrant exercisable at CDN\$0.60 per share to acquire one common share of the Company until 13 July 2014, at which time the warrants expire. The gross proceeds of CDN\$68,641 (US\$67,620) and CDN\$6,359 (US\$6,240) were allocated to the common shares and warrants, respectively. Warrants were valued using the Black Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 80.13%; risk free rate of 0.26%; and expected life of 2 years. The warrants have been classified as a derivative financial liability since the exercise price of the warrants is fixed in Canadian dollars and the functional currency is US dollars.

On 31 July 2012, 483,349 common shares of stock were issued at a fair value of CDN \$0.206 per share for total consideration of CDN \$99,570 (US \$99,443) per the terms of an extension agreement executed by the Company to acquire options to develop certain mineral interests located in North Dakota. An additional 516,440 common shares were issued on 21 March 2013 at a fair value of \$0.366 per share for a total consideration of CDN\$204,820 (US\$201,318).

On 28 September 2012, 3,000,000 common shares of stock were issued at a fair value of CDN \$0.25 per share for total consideration of CDN \$750,000 (US \$762,517) per the terms of a purchase and sale agreement executed by the Company to acquire an interest and option to acquire further interests for exploration and development in acreage located in Texas.

On 31 October 2012, the Company completed a second private placement representing an extension of the initial private placement of convertible debentures on 30 October 2012, as discussed in Note 7. The second placement included the issuance of 1,255,600 units at a price of CDN \$0.25 per unit representing total proceeds of CDN \$313,900 (US \$313,453). Each unit comprises one common share and one-half of a common share purchase warrant, with one warrant exercisable at CDN \$0.50 per share to acquire one common share of stock until 31 October 2016, at which time the warrants expire. The gross proceeds of CDN\$244,111 (US\$244,032) and CDN\$69,789 (US\$69,421) were allocated to the common shares and warrants, respectively. Warrants were valued using the Black Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 86.77%; risk free rate of 3.13%; and expected life of 4 years. The warrants have been classified as a derivative financial liability since the exercise price of the warrants is fixed in Canadian dollars and the functional currency is US dollars.

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12. Share Capital (continued)

Common Stock Offerings (continued)

On 7 March 2013, the Company completed its initial public offering of 42,303,293 CHESS depository interests (CDI's) at a price of AUD\$0.30 per CDI with each CDI equivalent to and exchangeable for one common share of stock of the Company. The CDI's trade on the ASX. The offering resulted in proceeds of CDN\$13,257,620 (AUD\$12,668,003). Share issuance costs of \$1,955,565 have been netted against the proceeds from the issuance. The existing shares of the Company will continue to be traded on the TSX Venture Exchange.

Conversion of Convertible Debentures

As discussed in Note 8, the convertible debentures issued on 29 June 2012 and 13 July 2012 were converted into units on 21 December 2012. The total balance of debentures of CDN \$3,230,000 (US\$3,248,366) converted based on the terms outlined in Note 8, resulting in 12,920,000 units issued. The accrued interest related to the debentures was converted into units on 12 February 2013 on the closing of the offering period for the Australian offering and the allotment of shares. The total balance of accrued interest of CDN\$77,431 (US\$77,175) converted on the basis of one unit for each CDN\$0.25 of accrued interest, resulting in 309,727 units issued. The values of CDN\$2,779,707 (US\$2,795,512) and CDN\$450,293 (US\$452,854) have been allocated to share capital and warrants, respectively, for the converted debentures, and the values of CDN\$66,326 (US\$66,108) and CDN\$11,105 (US\$11,067) were allocated to share capital and warrants, respectively, for the converted accrued interest. Warrants attributed to the converted debentures were valued using the Black Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 96.2%; risk free rate of 0.23%; and expected life of 1.50 years. Warrants attributed to the converted accrued interest were valued using the Black Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 93.2%; risk free rate of 0.54%; and expected life of 1.38 years. The warrants have been classified as a derivative financial liability since the exercise price of the warrants is fixed in Canadian dollars and the functional currency is US dollars.

As discussed in Note 8, the convertible debentures issued on 30 October 2012 and the related accrued interest were converted into units and shares of common stock on 13 February 2013. The total balance of debentures of CDN\$4,181,000 (US\$4,182,672) converted based on the terms outlined in Note 8, resulting in 16,724,000 units issued. The accrued interest payable on debentures held by related parties of CDN\$14,521 (US\$14,495) converted into 29,040 shares of common stock. Other accrued interest related to the debentures was converted into units on the basis of one unit for each CDN\$0.375 of accrued interest, resulting in 132,848 units issued. The gross amount of CDN\$3,278,214 (US\$3,272,277) and CDN\$902,786 (US\$901,161) have been allocated to share capital and warrants, respectively, for the converted debentures, and the values of CDN\$30,861 (US\$30,805) and CDN\$15,326 (US\$15,298) have been allocated to share capital and warrants, respectively, for the accrued interest converted into units. Share issuance costs of \$185,621 and \$50,191 were allocated to common shares and warrants, respectively. Warrants attributed to the convertible debentures and the accrued interest converted into units were valued using the Black Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 85.7%; risk free rate of 0.54%; and expected life of 3.79 years.

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12. Share Capital (continued)

Stock Purchase Warrants

As noted above, 9,990,000 common share purchase warrants were issued in connection with the qualifying transaction. An additional 6,164,078 common share purchase warrants were issued as part of the offering that closed at the same time. These two issuances of warrants expired on 22 March 2013. A further 1,037,500 common share purchase warrants were issued in the private placement offering of 29 June 2012, with another 150,000 common share purchase warrants being issued as part of the private placement offering of 13 July 2012. A further 627,800 common share purchase warrants were issued in the private placement offering of 31 October 2012 and 6,460,000 common share purchase warrants were issued on conversion of the convertible debentures on 21 December 2012, as discussed in Note 7. A further 154,868 common share purchase warrants were issued on conversion of the accrued interest related to convertible debentures on 12 February 2013. A further 8,428,431 common share purchase warrants were issued on conversion of the convertible debentures and related accrued interest on 13 February 2013. The warrants have been classified as a derivative financial liability since the exercise price of the warrants is fixed in Canadian dollars, but the functional currency of the Company is US dollars.

The activity related to derivative warrants is as follows:

	Three months ended 30 September 2013	30 June 2013
Balance, beginning of period	\$ 906,649	\$ 555,629
Additions	-	1,411,220
Fair value adjustments	<u>476,908</u>	<u>(1,060,200)</u>
Balance, end of period	<u><u>\$ 1,383,557</u></u>	<u><u>\$ 906,649</u></u>

The fair value of the derivative warrants was determined as at 30 September 2013 and 30 June 2013 using the following weighted average assumptions:

	<u>30 September 2013</u>	<u>30 June 2013</u>
Risk-free rate	0.42%	0.42%
Expected life (years)	2.1	2.3
Expected volatility	77.8%	83.6%
Dividend yield	0.0%	0.0%

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12. Share Capital (continued)

Stock Purchase Warrants (continued)

Finder warrants

On 25 September 2012 a total of 200,000 finder common share purchase warrants were issued to consultants to the Company for services related to permitting and exploration activities on property in western Australia with each finder warrant exercisable at CDN \$0.34 per share to acquire one common share of the Company until 22 September 2015, at which time the warrants expire. The fair value of the 200,000 finder warrants of CDN \$39,200 (US \$40,124) is expensed in production and exploration costs during the year ended 30 June 2013. A total of 3,500 finder common share purchase warrants were issued to arm's length finders for the private placement that closed on 31 October 2012, with each finder warrant exercisable at CDN \$0.50 per share to acquire one common share of the Company until 31 October 2016, at which time the warrants expire. A total of 1,265,383 finder common share purchase warrants were issued on 20 February 2013 to the joint lead managers for the Australian initial public offering, with each finder warrant exercisable at AUD\$0.36 per share to acquire one Australian CDI of the Company until 20 February 2016, at which time the warrants expire. The fair value of the finder warrants of AUD\$265,006 (US\$264,529) is reflected as share issuance costs during the year ended 30 June 2013.

Finder warrants are considered share-based payment transactions. As such they are accounted for under IFRS 2, Share-Based Payments, which considers them to be equity. Accordingly, they are initially measured at fair value and are not re-measured at each reporting date. The finder warrants issued during the year ended 30 June 2013 are measured using the Black Scholes model with the following weighted average assumptions:

	<u>30 June 2013</u>
Risk-free rate	0.59%
Expected life (years)	3.0
Expected volatility	85.3%
Dividend yield	0.0%

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12. **Share Capital (continued)****Stock Purchase Warrants (continued)**

Activity related to common share purchase warrants for the Company for the three months ended 30 September 2013 and 30 September 2012 is as follows:

	Three months ended					
	30 September 2013			30 September 2012		
	Weighted Average Exercise Number	Price	Currency	Weighted Average Exercise Number	Price	Currency
Balance, beginning of period	20,045,482	\$ 0.49	CDN/AUS	19,568,231	\$ 0.50	CDN
Warrants issued in private placement 13 July 2012	-	-	-	150,000	0.60	CDN
Finder warrants - 25 September 2012	-	-	-	200,000	0.34	CDN
Balance, end of period	<u>20,045,482</u>	<u>\$ 0.49</u>		<u>19,918,231</u>	<u>\$ 0.50</u>	

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12. Share Capital (continued)**Stock Option Plan**

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 as follows:

	Three months ended 30 September			
	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	5,080,000	\$ 0.34	3,092,500	\$ 0.22
Granted	-	-	1,000,000	0.34
Exercised	(160,000)	0.10	-	-
Expired	-	-	-	-
Outstanding, end of period	<u>4,920,000</u>	<u>\$ 0.34</u>	<u>4,092,500</u>	<u>\$ 0.25</u>
Exercisable, end of period	<u>4,520,000</u>	<u>\$ 0.34</u>	<u>4,092,500</u>	<u>\$ 0.25</u>

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12. Share Capital (continued)**Stock Option Plan (continued)**

The following table summarizes information on stock options outstanding and exercisable at 30 September 2013:

<u>Exercise Price</u>	<u>Currency</u>	<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Weighted Average Contractual Life (years)</u>
\$ 0.30	CDN	3,020,000	2,510,000	8.46
\$ 0.34	CDN	1,000,000	1,000,000	8.98
\$ 0.50	AUD	800,000	800,000	1.25
\$ 0.50	CDN	100,000	50,000	4.55

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

	<u>Exercise Price</u>			
	<u>\$0.30 CDN</u>	<u>\$0.34 CDN</u>	<u>\$0.50 AUD</u>	<u>\$0.50 CDN</u>
Weighted average grant date fair value	\$0.24	\$0.34	\$0.32	\$0.28
Expected dividend rate	0%	0%	0%	0%
Expected volatility	105%	83%	94%	82%
Risk-free interest rate	1.88%	1.81%	0.23%	0.67%
Expected life of options (years)	10	10	1.75	5

The fair value of the 3,120,000 stock options granted during the year ended 30 June 2013 is \$554,111. The fair value of stock options is expensed in general and administrative costs and included as a component of share based compensation reserve in shareholders' equity.

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13. Contributed Surplus

Contributed surplus consists of amounts contributed by the former parent of Strata-X, Inc. over a period of years to fund exploration and development activities. The contribution was considered to be a net investment in Strata-X, Inc. and is classified as equity.

14. Net Loss per Common Share

The basic net loss per common share is based on the weighted average number of common shares outstanding for the three months ended 30 September 2013 and 30 September 2012 of 123,778,540 and 45,333,963, respectively. The stock options and 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.

15. Details of Cash from Operating Activities

Changes in non-cash working capital items:

	Three months ended 30 September	
	2013	2012
Accounts receivable	\$ 27,639	\$ (123,615)
Prepays and other	(227)	40,483
Accounts payable and accrued liabilities	5,883	756,010
	<u>\$ 33,295</u>	<u>\$ 672,878</u>

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16. Related Party Transactions

The Company formerly utilized the services of an outside firm in which the President and Chief Executive Officer (CEO) of the Company is a majority shareholder. The Company terminated its contractual services with the firm in May 2013 when the CEO became a salaried employee of the Company. During the three months ended 30 September 2013, the Company incurred \$45,000 (2012 - \$60,000) in costs to the outside firm for reimbursement of prior costs incurred by the firm. These costs are allocated to general and administrative expenses and exploration and evaluation assets. At 30 September 2013, the Company owed the firm \$45,000 (2012 - \$110,134), which is included in amounts due to related parties.

The Company utilizes the services of an outside firm in which the former Chief Financial Officer (CFO) of the Company is a majority shareholder. The former CFO resigned his position with the Company effective 21 May 2013 and remains 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 \$6,100. During the three months ended 30 September 2013, the Company incurred \$19,450 (2012 - \$24,000) in costs to the outside firm for accounting services. These costs are allocated to general and administrative expenses and exploration and evaluation assets. Further, the Company formerly utilized the services of an outside consultant for land management and controller functions through 21 May 2013, at which time the consultant was appointed to the position of CFO of the Company. During the three months ended 30 September 2012, the Company incurred \$28,510 in costs to this consultant.

The Company utilizes the services of outside consultants to perform the services of Corporate Secretary of the Company in both Canada and Australia. The current contract with the Australian consultant calls for monthly payments of AUD \$2,500. During the three months ended 30 September 2013, the Company incurred CDN \$7,897 and AUD \$7,672 in costs to the outside consultants for Canada and Australia, respectively, for corporate services, all of which is included in general and administrative expenses.

Total compensation paid to key management personnel, including the related parties identified above as well as incentive stock compensation related to stock options, was approximately \$198,100 (2012 - \$96,000) for the three months ended 30 September 2013.

17. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, derivative financial liabilities and amounts due to related parties.

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.

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17. Financial Instruments (continued)

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. Management does not believe this risk is significant.

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.

Credit risk

The Company's exposure to credit risk relates to cash, accounts receivables and subscription receivable and arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk by keeping the majority of its cash 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 the financial assets. 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.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations and raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by the management of working capital and cash flows. As at 30 September 2013, the Company had a positive working capital of \$4,193,938.

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 and the Australian dollar will not adversely affect the financial statements. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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18. Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities, which include the acquisition and development of oil and gas properties. The Company includes shareholders' equity in the definition of capital.

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.

The Company is not subject to externally imposed capital requirements.