

STRATA-X ENERGY LTD.

(Unaudited)

Interim Condensed Consolidated Financial Statements

For the Nine Months Ended 31 March 2015

(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 Statement of Financial Position

31 March 2015

(Expressed in U.S. Dollars)

	31 March 2015	30 June 2014
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,574,831	\$ 3,758,172
Accounts receivable	206,535	116,360
Prepays, deposits and other (Note 5)	2,557	36,920
Total current assets	1,783,923	3,911,452
Other assets (Note 6)	265,498	326,060
Exploration and evaluation assets (Note 7)	24,045,115	22,176,955
Property and equipment (Note 9)	1,219,580	2,194,484
Total assets	\$ 27,314,116	\$ 28,608,951
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 460,027	\$ 1,600,375
Deposits	89,428	23,126
Amounts due to related parties (Notes 8 and 15)	270,356	367,168
Derivative warrants (Note 11)	16	115,734
Total current liabilities	819,827	2,106,403
Derivative warrants (Note 11)	33,081	439,545
Accrued liabilities	63,048	63,048
Decommissioning provisions (Note 10)	985,092	916,934
Total liabilities	1,901,048	3,525,930
SHAREHOLDERS' EQUITY:		
Share capital (Note 11)	34,934,188	33,524,413
Share based compensation reserve	1,288,129	1,152,318
Warrant reserve	1,009,486	1,009,486
Contributed surplus (Note 12)	22,066,879	22,066,879
Accumulated other comprehensive income	(833,617)	(895,570)
Deficit	(33,051,997)	(31,774,505)
Total shareholders' equity	25,413,067	25,083,021
Total liabilities and shareholders' equity	\$ 27,314,116	\$ 28,608,951

Approved on behalf of the Board

Director

See accompanying notes

Director

STRATA-X ENERGY LTD.

(Unaudited)

Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

(Expressed in U.S. Dollars)

	Three months ended 31 March		Nine months ended 31 March	
	2015	2014	2015	2014
Oil and gas revenue	\$ 101,464	\$ 39,394	\$ 871,815	\$ 85,596
Expenses				
Production and exploration	98,621	16,017	287,827	131,974
General and administrative	441,784	356,820	1,321,276	1,159,914
Depletion, depreciation and amortization	13,429	13,826	98,012	46,921
Impairment of oil and gas properties	-	-	878,145	-
Dry hole costs	-	-	-	-
	<u>553,834</u>	<u>386,663</u>	<u>2,585,260</u>	<u>1,338,809</u>
Loss before other income	(452,370)	(347,269)	(1,713,445)	(1,253,213)
Other income	<u>23,126</u>	<u>-</u>	<u>23,126</u>	<u>-</u>
Net operating loss	(429,244)	(347,269)	(1,690,319)	(1,253,213)
Gain on valuation of derivative liabilities	59,085	89,689	475,596	124,014
Gain on conversion of convertible debentures	-	-	-	-
Net finance expense	<u>(17,345)</u>	<u>(109,522)</u>	<u>(62,771)</u>	<u>(108,270)</u>
Net loss	(387,503)	(367,101)	(1,277,492)	(1,237,469)
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>5,200</u>	<u>11,984</u>	<u>61,952</u>	<u>(73,278)</u>
Other comprehensive income (loss) for the period	<u>5,200</u>	<u>11,984</u>	<u>61,952</u>	<u>(73,278)</u>
Comprehensive loss	<u>\$ (382,304)</u>	<u>\$ (355,117)</u>	<u>\$ (1,215,541)</u>	<u>\$ (1,310,747)</u>
Net loss per common share, basic and diluted (Note 13)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

See accompanying notes

STRATA-X ENERGY LTD.

(Unaudited)

Interim Condensed Consolidated Statement of Changes in Equity

For the Nine Months Ended 31 March 2015

(Expressed in U.S. Dollars)

	Share Capital	Share based Compensation Reserve	Warrants Reserve	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, 1 July 2014	\$ 33,524,413	\$ 1,152,318	\$ 1,009,486	\$ 22,066,879	\$ (895,570)	\$ (31,774,505)	\$ 25,083,021
Private placement, 7 December 2014 (Note 11)	852,691	-	-	-	-	-	852,691
Private placement, 21 December 2014 (Note 11)	138,420	-	-	-	-	-	138,420
Shares issued on debt conversion (Note 11)	418,664	-	-	-	-	-	418,664
Stock options issued (Note 11)	-	135,811	-	-	-	-	135,811
Comprehensive loss	-	-	-	-	61,952	(1,277,492)	(1,215,540)
Balance, 31 March 2015	<u>\$ 34,934,188</u>	<u>\$ 1,288,129</u>	<u>\$ 1,009,486</u>	<u>\$ 22,066,879</u>	<u>\$ (833,618)</u>	<u>\$ (33,051,997)</u>	<u>\$ 25,413,067</u>

	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
Private placement, 6 November 2013 (Note 11)	5,300,723	-	-	-	-	-	5,300,723
Stock options issued (Note 11)	-	201,197	-	-	-	-	201,197
Exercise of stock options (Note 11)	15,533	-	-	-	-	-	15,533
Finders warrants issued (Note 11)	-	-	100,638	-	-	-	100,638
Comprehensive income (loss)	-	-	-	-	(73,278)	(1,237,469)	(1,310,747)
Balance, 31 March 2014	<u>\$ 31,990,607</u>	<u>\$ 1,131,814</u>	<u>\$ 991,592</u>	<u>\$ 22,066,879</u>	<u>\$ (956,766)</u>	<u>\$ (31,601,919)</u>	<u>\$ 23,622,207</u>

STRATA-X ENERGY LTD.

(Unaudited)

Interim Condensed Consolidated Statement of Cash Flows
For the Nine Months Ended 31 March 2015 and 31 March 2014
(Expressed in U.S. Dollars)

	Nine months ended	
	31 March	
	2015	2014
Cash and cash equivalents provided by (used in):		
Operating activities:		
Net loss for the period	\$ (1,277,492)	\$ (1,237,469)
Adjustments for:		
Depletion, depreciation and amortization	98,012	46,921
Accretion of decommissioning provisions	68,158	122,252
Share-based compensation	135,811	201,197
Impairment of oil and gas properties	878,145	-
Dry hole costs	-	-
Gain on valuation of derivative liabilities	<u>(475,596)</u>	<u>(124,014)</u>
Operating cash flow before changes in non-cash working capital	(572,963)	(991,113)
Changes in non-cash working capital (Note 14)	<u>(420,625)</u>	<u>(267,470)</u>
Net cash used in operating activities:	<u>(993,588)</u>	<u>(1,258,583)</u>
Investing activities:		
Acquisition of exploration and evaluation assets	(2,676,940)	(7,619,564)
Acquisition of property and equipment	(1,254)	(1,202,796)
Acquisition of investments	-	(100,000)
Proceeds from sale of investments	<u>60,000</u>	<u>-</u>
Net cash used in investing activities:	<u>(2,618,194)</u>	<u>(8,922,360)</u>
Financing activities:		
Advances from related parties	418,664	-
Proceeds from issuance of common stock	1,059,957	5,837,355
Proceeds from exercise of stock options	-	15,533
Payment of share issuance costs	(68,846)	(435,994)
Deposits (paid) received, net	99,547	(42,190)
Amounts (paid to) received from related parties	<u>(96,812)</u>	<u>73,450</u>
Net cash provided by financing activities:	<u>1,412,510</u>	<u>5,448,154</u>
Increase (decrease) in cash and cash equivalents	(2,199,272)	(4,732,789)
Cash and cash equivalents, beginning of period	3,758,172	8,566,438
Effect of exchange rate translation	<u>15,931</u>	<u>(73,276)</u>
Cash and cash equivalents, end of period	<u>\$ 1,574,831</u>	<u>\$ 3,760,373</u>

See accompanying notes

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(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. 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 Texas, California, North Dakota and Illinois within the United States and within Western Australia. In October 2012, the Company 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 \$1,277,492 for the nine months ended 31 March 2015 and has an accumulated deficit of \$33,051,997 as of 31 March 2015. There is a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

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. In March 2013, the Company completed its initial public offering on the Australian Securities Exchange (ASX) resulting in proceeds of approximately \$12,668,000 and completed private placements in November 2013, June 2014 and December 2014 resulting in proceeds of approximately \$7,845,000 in total. The proceeds of such offerings are 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.

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.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

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 2014.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of 28 April 2015, 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 2015 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.

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.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

2. Basis of Presentation (continued)

d) Use of Estimates (continued)

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 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.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

3. Significant Accounting Policies

The interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of computation as the Company's 30 June 2014 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 2014 annual financial statements.

□4. Segment Reporting

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	-	871,815	-	871,815
Depreciation	-	98,012	-	98,012
Net income (loss)	(212,067)	(1,060,091)	(5,335)	(1,277,492)
Assets	24,707	27,166,666	122,743	27,314,116
Liabilities	100,739	1,757,882	42,427	1,901,048

5. Prepaids, Deposits and Other

Deposits as of 31 March 2015 represent funds held in escrow by the operator of the Vallecitos project 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.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

7. Exploration and Evaluation Assets

	Nine months ended 31 March 2015	Year ended 30 June 2014
Balance, beginning of period	\$ 22,176,955	\$ 12,303,585
Addition	2,746,305	9,873,370
Impairment incurred	(878,145)	-
Dry hole costs expensed	-	-
Balance, end of period	<u>\$ 24,045,115</u>	<u>\$ 22,176,955</u>

During the nine months ended 31 March 2015 the Company recorded an impairment of \$878,145 related to a property in Illinois.

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.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

9. Property and Equipment**Cost**

	Balance at 1 July 2013	Additions	Disposals and Adjustments	Balance at 30 June 2014	Additions	Disposals and Adjustments	Balance at 31 March 2015
Oil and gas properties	\$ 554,917	\$ 1,748,519	\$ -	\$ 2,303,436	\$ 38	\$ -	\$ 2,303,474
Computer equipment and software	14,982	2,796	-	17,778	1,216	-	18,994
	<u>\$ 569,899</u>	<u>\$ 1,751,315</u>	<u>\$ -</u>	<u>\$ 2,321,214</u>	<u>\$ 1,254</u>	<u>\$ -</u>	<u>\$ 2,322,468</u>

Accumulated Depletion, Depreciation, Amortization and Impairment

	Balance at 1 July 2013	Additions	Disposals	Balance at 30 June 2014	Additions	Disposals	Balance at 31 March 2015
Oil and gas properties	\$ 40,597	\$ 79,339	\$ -	\$ 119,936	\$ 974,258	\$ -	\$ 1,094,194
Computer equipment and software	3,188	3,606	-	6,794	1,900	-	8,694
	<u>\$ 43,785</u>	<u>\$ 82,945</u>	<u>\$ -</u>	<u>\$ 126,730</u>	<u>\$ 976,158</u>	<u>\$ -</u>	<u>\$ 1,102,888</u>

Net Book Value

	Balance at 30 June 2014	Balance at 31 March 2015
Oil and gas properties	\$ 2,183,500	\$ 1,209,280
Computer equipment and software	10,984	10,300
	<u>\$ 2,194,484</u>	<u>\$ 1,219,580</u>

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

10. Decommissioning Provisions

	Nine months ended 31 March 2015	Year ended 30 June 2014
Balance, beginning of period	\$ 916,934	\$ 639,061
Net present value of new obligation	-	190,654
Accretion expense	<u>68,158</u>	<u>87,219</u>
Balance, end of period	<u>\$ 985,092</u>	<u>\$ 916,934</u>

The Company has calculated the fair value of decommissioning provisions using a range of discount rates from 2.8% to 4.6%. The estimated undiscounted future cash flows to settle decommissioning provisions are \$1,162,525 (30 June 2014 - \$1,162,525) and are expected to be realized over a period defined as the remaining useful life in the Company's most recent reserve report which ranges from six to thirty years.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

11. 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 2013	123,752,453	\$ 26,674,351
Exercise of stock options	160,000	15,533
Shares issued for cash, 6 November 2013	15,872,962	5,837,355
Share issuance costs	-	(536,632)
Shares issued for cash, 26 June 2014	6,503,554	1,704,739
Share issuance costs	-	(170,933)
Balance at 30 June 2014	146,288,969	33,524,413
Shares issued for cash, 7 December 2014	6,518,230	921,537
Share issuance costs	-	(68,846)
Shares issued on debt conversion	2,777,778	418,664
Shares issued for cash, 21 December 2014	1,000,000	138,420
Balance at 31 March 2015	<u>156,584,977</u>	<u>\$ 34,934,188</u>

Common Stock Offerings

On 6 November 2013, the Company completed a private placement of 15,872,962 CDIs with each CDI equivalent to and exchangeable for one common share of stock of the Company. The CDIs trade on the ASX. The offering resulted in proceeds of US\$5,837,355 (AUD\$6,031,726). Share issuance costs of \$536,632 have been netted against the proceeds from the issuance.

On 27 June 2014, the Company completed a private placement of 6,503,554 CDIs with each CDI equivalent to and exchangeable for one common share of stock of the Company. The CDIs trade on the ASX. The offering resulted in proceeds of US\$1,704,739 (AUD \$1,820,995). Share issuance costs of \$170,933 have been netted against the proceeds from the issuance.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

11. Share Capital (continued)

Common Stock Offerings (continued)

On 7 December 2014 the Company completed a private placement of 6,518,230 CDIs with each CDI equivalent to and exchangeable for one common share of stock of the Company. The CDIs trade on the ASX. The offering resulted in proceeds of US\$921,537 (AUD\$1,108,099). Share issuance costs of US\$68,846 have been netted against the proceeds from the issuance.

On 21 December 2014 the Company closed a second tranche of the 7 December private placement with the issuance of an additional 1,000,000 CDIs with each CDI equivalent to and exchangeable for one common share of stock of the Company. The CDIs trade on the ASX. The offering resulted in proceeds of US\$138,420 (AUD\$170,000).

Conversion of Debt

In November 2014, the Company entered into loan agreements with three directors of the Company, including the President and CEO of the Company. The loan balances totalled US\$418,664 (AUD\$500,000), were unsecured and did not accrue interest. The notes contained a conversion feature to convert the loan balances to CDIs at the higher of AUD\$0.18 per CDI or the closing price of CDIs on the ASX the day prior to conversion. On 21 December 2014 the Company issued 2,777,778 CDIs as repayment of the notes.

Stock Purchase Warrants

Stock purchase 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:

	Nine months ended 31 March 2015	30 June 2014
Balance, beginning of period	\$ 555,279	\$ 906,649
Additions	-	-
Fair value adjustments	(475,596)	(388,529)
Foreign exchange (gain) loss	(46,586)	37,159
Balance, end of period	33,097	555,279
Less: current portion	16	115,734
	<u>\$ 33,081</u>	<u>\$ 439,545</u>

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

11. Share Capital (continued)

Stock Purchase Warrants (continued)

The fair value of the derivative warrants was determined as at 31 December 2014 and 30 June 2014 using the following weighted average assumptions:

	31 March 2015	30 June 2014
Risk-free rate	0.23%	0.30%
Expected life (years)	1.0	1.7
Expected volatility	79.7%	57.3%
Dividend yield	0.0%	0.0%

Finder warrants

A total of 603,172 finder common share purchase warrants were issued on 6 November 2013 to the joint lead managers for the private placement of CDIs closed on this date, with each finder warrant exercisable at AUD\$0.50 per share to acquire one CDI of the Company until 6 November 2016, at which time the warrants expire. The fair value of the finder warrants of AUD\$105,732 (US\$100,638) is reflected as share issuance costs during the year ended 30 June 2014.

A total of 162,100 finder common share purchase warrants were issued on 26 June 2014 to the joint lead managers for the private placement of CDIs closed on this date, with each finder warrant exercisable at AUD\$0.50 per share to acquire one CDI of the Company until 26 June 2017, at which time the warrants expire. The fair value of the finder warrants of AUD\$19,027 (US\$17,894) is reflected as share issuance costs during the year ended 30 June 2014.

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 2014 are measured using the Black Scholes model with the following weighted average assumptions:

	30 June 2014
Risk-free rate	0.86%
Expected life (years)	3.0
Expected volatility	83.6%
Dividend yield	0.0%

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

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

Activity related to common share purchase warrants for the Company for the six months ended 31 December 2014 and the year ended 30 June 2014 is as follows:

	Nine months ended 31 March 2015			Year ended 30 June 2014		
	Number	Weighted Average Exercise Price	Currency	Number	Weighted Average Exercise Price	Currency
Balance, beginning of period	19,092,754	\$ 0.49		20,045,482	\$ 0.49	
Finder warrants - 6 November 2013	-	-		603,172	0.50	AUD
Finder warrants - 26 June 2014	-	-		162,100	0.50	AUD
Expiration of warrants	-	-		(1,718,000)	0.41	CDN
Balance, end of period	<u>19,092,754</u>	<u>\$ 0.49</u>		<u>19,092,754</u>	<u>\$ 0.49</u>	

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

11. 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:

	Nine months ended 31 March 2015		Year ended 30 June 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	6,270,000	\$ 0.36	5,080,000	\$ 0.34
Granted	1,800,000	-	1,550,000	0.39
Exercised	-	-	(160,000)	0.10
Expired	<u>(1,500,000)</u>	0.31	<u>(200,000)</u>	0.30
Outstanding, end of period	<u>6,570,000</u>	<u>\$ 0.33</u>	<u>6,270,000</u>	<u>\$ 0.36</u>
Exercisable, end of period	<u>3,895,000</u>	<u>\$ 0.33</u>	<u>5,045,000</u>	<u>\$ 0.35</u>

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

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

The following table summarizes information on stock options outstanding and exercisable at 31 March 2015:

	Exercise Price	Currency	Number Outstanding	Number Exercisable	Weighted Average Contractual Life (years)
\$	0.30	CDN	4,020,000	2,220,000	5.79
\$	0.34	CDN	900,000	900,000	7.48
\$	0.35	CDN	700,000	175,000	4.18
\$	0.41	CDN	800,000	450,000	3.56
\$	0.50	AUD	50,000	50,000	1.70
\$	0.50	CDN	100,000	100,000	3.05
			<u>6,570,000</u>	<u>3,895,000</u>	

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

	Exercise Price					
	\$0.30 CDN	\$0.34 CDN	\$0.35 CDN	\$0.41 CDN	\$0.50 AUD	\$0.50 CDN
Weighted average grant date fair value	\$0.22	\$0.34	\$0.34	\$0.41	\$0.32	\$0.28
Expected dividend rate	0%	0%	0%	0%	0%	0%
Expected volatility	87%	83%	76%	81%	93%	82%
Risk-free interest rate	1.76%	1.81%	1.70%	1.89%	0.30%	0.67%
Expected life of options (years)	7.92	10.00	5.00	5.00	1.82	5.00

The fair value recognized for stock options during the nine months ended 31 March 2015 is \$135,811. 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.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

12. 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.

13. 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 and nine months ended 31 March 2015 of 156,584,977 and 150,379,684, respectively (2014 – 139,785,415 and 132,289,020, 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.

14. Details of Cash from Operating Activities

Changes in non-cash working capital items:

	Nine months ended 31 March	
	2015	2014
Accounts receivable	\$ (90,175)	\$ (27,845)
Prepays and other	1,134	10,084
Accounts payable and accrued liabilities	(331,584)	(249,709)
	<u>\$ (420,625)</u>	<u>\$ (267,470)</u>

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

15. Related Party Transactions

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 \$6,000. During the nine months ended 31 March 2015, the Company incurred approximately \$48,700 (2014 - \$58,600) in costs payable to the outside firm for accounting services. These costs are allocated to general and administrative expenses and exploration and evaluation assets.

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 Canadian consultant calls for monthly payments of CDN \$3,500 and the current contract with the Australian consultant calls for monthly payments of AUD \$2,500. During the nine months ended 31 March 2015, the Company incurred approximately CDN \$25,500 and AUD \$23,800 in costs payable to the outside consultants for Canada and Australia, respectively, for corporate services, all of which is included in general and administrative expenses. During the nine months ended 31 March 2014, the Company incurred approximately CDN \$23,600 and AUD \$20,500 in costs payable to the outside consultants for Canada and Australia, respectively, for corporate services, all of which is included in general and administrative expenses.

The Company entered into note payable agreements with certain directors of the Company in November 2014 as discussed in Note 11.

Total compensation paid to key management personnel, including the related parties identified above as well as incentive stock compensation related to the granting and vesting of stock options during the period, was approximately \$524,400 (2013 - \$630,000) for the nine months ended 31 March 2015.

16. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other assets, 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.

Market risk

The Company's exposure to financial market risk is the risk that the fair value or 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.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

16. 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.

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.

Credit risk

The Company's exposure to credit risk relates to cash and accounts receivables 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 31 March 2015, the Company had a positive working capital of approximately \$964,100.

STRATA-X ENERGY LTD.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

31 March 2015

(Expressed in U.S. Dollars)

17. 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.