



Quarterly Activities Report

For Quarter Ended
30 September 2016

Directors

Mr. Ron Prefontaine –
Chairman of the Board of Directors

Mr. Tim Hoops –
President and Managing Director

Mr. Dennis Nerland –
Non Executive Director

Mr. Tim Bradley –
Non Executive Director

Mr. Bohdan (Don) Romaniuk –
Non Executive Director

Mr. Greg Hancock –
Non Executive Director

Company Management

Mr. David Hettich –
Chief Financial Officer

Company Secretaries

Shaun Maskerine – Canada
Duncan Cornish – Australia

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Stock Exchanges

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

Quarter Highlights

The Company continues to actively investigate joint venture opportunities with other exploration and development companies, both of its own initiative and in response to inquiries from counterparts in the industry. Although these exploratory discussions have yet to coalesce into negotiations that might lead to a material change in the Company's circumstances, Strata-X is of the view that the ongoing interest among potential commercial partners reflects positively on the Company's acreage and future potential. Management intends to continue aggressively pursuing all meaningful, potential partnership/joint venture opportunities as market conditions allow.

Certain statements in this report regarding future expectations and plans of the Company may be regarded as "forward-looking statements". Although the Company believes that its expectations and plans are based upon reasonable assumptions, it can give no assurance that its goals will be met. Actual results may vary significantly from those anticipated due to many factors, including oil and gas prices, operating hazards, drilling risks, environmental risks and uncertainties in interpreting engineering and other data relating to oil and gas reservoirs, as well as other risks.

Illinois Basin Project

Illinois Basin, USA

100% of ~20,618 net acres

Vertical Program

- › The Company is focusing its efforts on developing the “by-passed pay” prospects in its Illinois Basin portfolio. A by-passed pay well is one drilled previously that has certain drilling and electrical log attributes that indicate commercial oil is present. By-passed pay prospects are generally low risk, high margin opportunities for the Company to drill at very low finding costs. Most of these wells were drilled 50 or more years ago when oil prices were less than \$2/bbl with small profit margins. Using rigorous mapping techniques, the Company has identified at least 12 leads and prospects it feels are by-passed pay opportunities at depths less than 4,000 feet.
- › Two near term by-passed pay prospects identified for drilling are the Red Oak Prospect and the Maple Prospect.
- › To increase oil recovery and oil flow rates, the Blue Spruce project will undergo waterflooding of the Aux Vases formation. It is estimated that the waterflood development will extract approximately 40% of the Petroleum Initially In Place (“PIIP” unrisks) resulting in a projected recovery of 1.28 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 BOPD.⁽¹⁾ Drilling of the second Blue Spruce oil field development well is anticipated to commence in fiscal 2017 subject to market conditions.

Horizontal Program

- › Since production began, the 5-34HOR well has produced approximately 18,500 barrels of light gravity oil. Gas analysis on the Burkett 5-34 HOR well has shown that the gas contains significant amounts of ethane, propane and butane with a BTU content of 1,650 BTU, more than 60% higher than standard methane. The Burkett 5-34 well was recently restarted following some surface upgrades after being shut in earlier this year. The well has been slowly drawing down and is currently producing 34 barrels of oil per day and approximately 650 barrels of water. It is anticipated that the oil rate will continue to rise as the reservoir is slowly drawn down.
- › In September 2015, Strata-X drilled the Kuhlig #1 location, the second well in the Company’s Lingle Oil Project. The Kuhlig #1 vertical well was a 12 km step-out of the first completed Lingle horizontal well, Burkett 5-34, where peak production rates of 300 barrels of oil per day were achieved. The Kuhlig #1 well encountered the following results:
 - Approximately 16 feet of Lingle formation reservoir as anticipated.
 - Reservoir pressure was 2 times the reservoir pressure of the initial Burkett 5-34 well where the 1800-foot lateral test well reached over 300 BOPD.
 - A drill stem test (DST) recovered oil and gas.
- › The production testing results to date demonstrate that the Lingle Formation can be successfully multistage stimulated in a horizontal well to yield significant improvements in oil flow rates compared to historical, vertical well completions. This is the first stimulated horizontal well in the Lingle Formation in the Illinois Basin. Based on our first proof-of-concept experience here, and with the information gained in successfully bringing the Burkett well on production, Strata-X believes significant improvements in future wells may be achieved using more optimal drilling, stimulation and completion methods.

Company Outlook

The economic framework of the energy industry has, since mid-2014, undergone a dramatic reversal with falling world oil prices due to a combination of factors including a significant increase in oil production from the United States and other producers creating an oversupply. The ultimate depth and duration of this reversal is still unknown. It may take months or years before supply and demand is rebalanced and a sustainable new equilibrium market price is achieved.

Strata-X is not immune to these market conditions but has chosen projects in areas where drilling and operational costs are low and margins are, on average, higher. The Company has conducted an internal review of its projects and has developed a strategy it believes will best serve the shareholders during these volatile times. Meaningful deployment of capital will be paramount during the period of low oil prices and volatility. The Company intends to focus in the near future on the vertical oil play in the Illinois Basin where acceptable economics can still be attained. Strata-X's other, non-core, projects may be released or allowed to expire pending an improvement in market conditions.

The Company's primary focus to date has been to conduct the exploration appraisal work necessary to demonstrate the production potential and commercial viability of the Illinois Oil Project.

In April 2014, the Company acquired approximately 22,000 net acres in Wayne County Illinois with two goals in mind. The first was to expand the coverage the Company had over the Lingle Formation and the second was to expose the Company to high margin, low risk opportunities in the shallow Mississippian aged reservoirs found above the New Albany shale. The area was initially developed in the mid-1900s when oil prices were historically low and technology relatively unsophisticated. Historically, these oil zones have produced in excess of 1.5 billion barrels⁽¹⁾ of oil within a 32 kilometer radius of the project. Over the past several decades, the area has seen neither large-scale capital deployed nor modern oil field practices despite numerous advances in drilling and completion technologies. The Company views this as an opportunity for a proven mature area to yield new reserves using modern exploration and completion techniques.

During the past year, the Company has investigated thousands of historic wells to develop several areas it considers to be potentially productive. The initial area chosen was on the Clay City Consolidated Oil field, a field that has yielded over 600 million barrels of oil. The Company's evaluation of this area indicates significant bypassed oil pay opportunities exist in direct offsets to historical wells and potential recompletions in bypassed pay intervals. To date, the Company has identified over 60 potential locations in 12 prospects in close proximity to historical production from numerous oil productive zones.

In December 2014, the Company drilled its first vertical well, Blue Spruce #1 on the Blue Spruce project, targeting shallow Illinois oil pay zones. The well encountered several potentially productive zones. In February 2015, the Company completed the well and placed it on production. Subsequent to placing the well on production, Strata-X's independent engineer, Chapman Petroleum Engineering Ltd (Chapman), confirmed in a report dated 30 June 2016 ("Report"), Proved plus Probable Reserves of 1.282 million barrels of light oil net to the Company. This results in a calculated Blue Spruce Oil Project valuation of USD\$44.126 million before tax Net Present Value (BTNPV disc 10%) (unrisked).⁽¹⁾

The Chapman Report identified 19 oil development locations on the 720 net acres Strata-X has leased over the Blue Spruce Oil Project. To date, Strata-X has received two additional drilling permits on the Blue Spruce project for the Blue Spruce #2 and Blue Spruce #3 wells. Two additional areas that the Company expects have similar geologic characteristics as the Blue Spruce project have been identified for testing, and drilling permits have been received. Plans are to drill 1 or 2 of these wells in fiscal 2017, subject to available funds and market conditions.

In May 2014, Strata-X successfully performed a completion stimulation of the Burkett 5-34HOR well. After the stimulation, the well flowed back approximately 116 barrels of crude oil and approximately 2,100 barrels of completion fluid. The Burkett well reached peak rates of over 300 BOPD and averaged 150 BOPD in November 2014. The ultimate performance of the Lingle oil zone is being masked by the communication with a deeper water zone and low reservoir pressure in the Lingle zone from prior production. Despite these challenges, the Company feels that the Burkett well has advanced the project by demonstrating producible oil and establishing

commercial production rates from the Lingle formation. Future wells in the program will be designed with lower energy stimulations to minimize the risks of communication with the deeper reservoir and will be located outside the area of lower reservoir pressure found in the Burkett well.

In September 2015, Strata-X spudded the Kuhlig #1 well, the second well in the Company's Lingle Oil Project in the Illinois Basin. The Kuhlig #1 vertical well is a 12 km step-out of the first completed Lingle horizontal well, Burkett 5-34, and was designed as a low cost, vertical well that will core and pressure test the Lingle to acquire important reservoir data required to design the proposed Raccoon Creek #1 horizontal well. The Kuhlig #1 well encountered approximately 16 feet of reservoir consistent with the mapping and a historic well located approximately 4,000 feet away. A reservoir pressure of 2,100 psi was indicated during a drill stem test of the targeted formation. This pressure is double that of the initial pressure in the Burkett 5-34 lateral well which reached over 300 BOPD. As expected, small amounts of oil and gas were recovered during the drill stem test ("DST") of the Kuhlig #1 well which is interpreted as a tight carbonate Lingle reservoir.

For the quarter ended 30 September 2016, the Company invested ~\$8,000 in the Illinois Basin Oil Project, principally on lease and project maintenance. Subject to available funds, the Company plans to drill up to three vertical wells for the Company's vertical by-passed pay programme during calendar year 2017.

The Company has made plans for the plugging and abandonment of the Cinco Saus Creek #1 well subject to mineral owner approval on the Maverick Oil Project as efforts to farm-out the project or bring in a partner on it were not successful. As of the date of this report the Cinco Saus Creek #1 is not plugged or abandoned and is awaiting reclamation approval from the surface and mineral owner.

The Company drilled and cased its first exploratory well on its North Dakota Sleeping Giant Gas Project, the Rohweder #1-11 well in June/July 2014. The well was subsequently shut-in pending completion design and stimulation, which never occurred due to deteriorating market conditions and capital allocation constraints within Strata-X. Under the terms of the Purchase and Sale Agreement with the Sellers of the Sleeping Giant Gas Project, the Company had until 30 September 2016 to drill its remaining 3 obligation wells or rights to the project will revert to the Sellers. Given current and expected future natural gas pricing, capital allocation constraints and several development hurdles facing the Sleeping Giant Project, Strata-X's right to the Sleeping Giant Project have been terminated. The Company is currently reviewing its options to plug the Rohweder #1-11 well or otherwise discharge its plugging and restoration liability therein.

In the Canning Basin Project, the Company continues to pursue access agreements with Native Title claimants as a requirement of having the tenement granted.

Strata-X is also reviewing its other projects, in which it has 22.5% to 37.5% working interests, in order to determine going-forward activities that meet the Company's growth plans. No decision has been made yet on drilling or continuing any of these other projects. Any drilling on these projects will depend on the Company's ability to target oil reserves that, in the Company's assessment, offer a combination of acceptable risk and sufficiently high potential reward to more than offset such risk. The Company also continues to seek out and review other growth opportunities. Due to the nature of the oil and natural gas industry, budgets are regularly reviewed with respect to the success of the programs and other opportunities which become available to the Company. Accordingly, actual expenditures may differ from these amounts and locations as outlined above. The Company reserves the right to exercise its business judgment to reallocate funds in order for the Company to achieve its overall business objectives.

(1) Information originally appears in the Company's NI 51-101 Report for FYE 2016 which is available for review at www.strata-x.com

Tenements

Project	Location	% Interest	Net Acres
Illinois Oil	Illinois, USA	100%	20,618
Canning ⁽¹⁾	Western Australia	100%	1,438,120
Vallecitos	California, USA	22.5%	4,528
Eagle	California, USA	23.9%	770
Total			1,464,036

(1) Exploration permit acres vesting subject to completing and complying with the Native Title Act of 1993.

During the quarter ended 30 September 2016, Strata-X did not have any material reductions in its tenement/lease position. In the remainder of 2016, the Company expects further lease reductions of approximately 2,000 net acres on the Illinois Oil Project.

Production Summary

For the three months ended 30 September 2016, oil production to the Company's net revenue interest was down 10% to 1,768 barrels (bbls) compared to 1,974 bbls for the three months ended 30 September 2015. The decrease in oil production is attributable to limited production on the Burkett 5-34HOR which was restarted in June 2016. For each of the three month periods ended 30 September 2016 and 30 September 2015, no natural gas was sold.

Total revenue for the three months ended 30 September 2016 was \$73,892 compared to \$86,452 for the three months ended 30 September 2015, a decrease of 14%. This decrease is attributed to lower production volumes and a lower price of crude oil. The average daily production for the Company during the three months ended 30 September 2016 was 19.6 bbls of oil at an average realized sale price of \$41.7 per barrel of oil. Royalties per barrel of oil averaged \$6.81, with production operating expenses for the period of \$35.78 per barrel of oil. The netback received by the Company per barrel of oil sold during the three months ended 30 September 2016 was \$5.92.

Corporate Financial and Other Information

Financial Position

Strata-X Energy Ltd's cash position at the end of the quarter was USD\$732,000.

Reporting Currency

The functional reporting currency of Strata-X Energy Ltd is United States of America dollars (USD). Therefore the corresponding ASX Appendix 5B (Statement of Cash Flows) is denoted in USD.

Corporate Events

The Company continues to actively investigate joint venture opportunities with other exploration and development companies, both of its own initiative and in response to inquiries from counterparts in the industry. Although these exploratory discussions have yet to coalesce into negotiations that might lead to a material change in the Company's circumstances, Strata-X is of the view that the ongoing interest among potential commercial partners reflects positively on the Company's acreage and future potential. Management intends to continue aggressively pursuing all meaningful, potential partnership/joint venture opportunities as market conditions allow.

Share Data

As of 30 September 2016, Strata-X had 176,325,585 shares outstanding, including 108,322,641 CDIs.

Person Compiling Information

Technical information contained herein is based on the information compiled by the Company's Chief Executive Officer and President, Tim Hoops. Mr. Hoops has over 35 years' experience in the petroleum industry and is a graduate of the Colorado School of Mines with a degree in Geological Engineering. Mr. Hoops consents to the inclusion in this document of the matters based on this information, in the form and context in which they appear.