



STRATA-X ENERGY

Quarterly Activities Report

For Quarter Ended
31 December 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 Heftich –
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)

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.

Quarter Highlights

- Review of Company activities and new opportunities continuing.
- Refocused on Coal Seam Gas (CSG) by farming into large upside Serowe Gas Project in Botswana.
- Opportunity compliments management skillset.
- A\$1.55 million capital raising completed.
- Ron Prefontaine brings past Arrow Energy and Bow Energy management experience to lead Serowe Gas Project.

SEROWE GAS PROJECT

Features of Serowe Farm-in – Republic of Botswana

- Earn up to 75% of the Serowe Gas Project in the Kalahari Basin CSG fairway in Botswana, Africa.
- Strata-X will operate the Project covering two licenses spanning 273,000 acres.
- The Project has a mean estimate of 1.045 Tcf (1075 PJ) of recoverable prospective resource net to Strata-X's interest. ⁽¹⁾
- There are immediate and expanding domestic gas markets in southern Africa.
- Botswana rated as an attractive investment destination.

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

In November 2016, SXE entered into a Farm-in Agreement with Magnum Gas and Power (ASX:MPE) for a staged farm-in to earn up to 75% of the Serowe Gas Project located on the Kalahari Basin CSG Fairway in Botswana, Africa. Strata-X will operate the Project which spans approximately 273,000 acres and has certified 1.045 Tcf (1075PJ) of recoverable Prospective Resources ⁽¹⁾

Mr. Ron Prefontaine will be assuming the executive leadership of the Serowe Project. Mr. Prefontaine has extensive management experience in CSG as an executive director of Arrow Energy and as co founder and Managing Director of Bow Energy - companies which were taken over for \$3.3 billion and \$550 million respectively. Ron also is a co-founder and principal owner of private, Brisbane based, WellPro which has developed CSG production optimization equipment and methods. The Company's plan is to combine geology/engineering skills with Wellpro production optimization technology to successfully develop the Serowe Gas Project.

(1) Prospective Resources figures are from an audit report prepared by MHA Petroleum Consultant dated 26 October 2016 following their audit of the available technical data including the geological interpretation, information from relevant nearby wells, analogous reservoirs and the proposed program for the Project, prepared and presented to MHA by Strata-X. There is no certainty that stated resources will be commercially viable to produce any portion of the resources. A high level of uncertainty exists with the Prospective resources given the lack of historical drilling, available data and other productivity factors that limit the economic viability of coal seam gas deposits. The Report reviewed only Prospective Resources as the project is not sufficiently developed to assign Contingent Resources or additional Petroleum Reserves to it. Stated Prospective Resource figures are Best Estimate – undiscovered natural gas quantities and net of a 6% royalty and are shown at a 75% working interest in the Project that Strata-X will only earn upon completing the farm-in program. The total costs associated with establishing the commerciality of this project are unknown at this time given the early nature of the Company's development. For additional information see Strata-X November 2016 Presentation.

The Republic of Botswana is one of the oldest democracies in Africa becoming independent in 1966. It has a long-standing rule of law and the lowest rate of corruption in Africa. The geography of the project area is predominantly flat with good road access. These factors combined with a 3% government royalty (there is also a 3% private royalty payable to parties associated with MPE) on produced gas makes Botswana one of the more favorable economic settings in the world. The growing demand for power in the country and its neighbors offers immediate and expanding domestic gas markets.

The Farm-in is in three stages and the Company has up to 3 years to complete all stages, with each stage earning the Company a 25% working interest in the Serowe Gas Project. The first stage is anticipated to begin in the first quarter of 2017 and will involve the desorption analysis of 3 CSG core wells as required for continued gas resource certification. One well has been cored previously by MPE and only needs final analysis to be completed, a second has been top holed and will be re-entered to core the coal section and the third will be a new core well. In addition, one well will be completed and production tested. Stages 2 and 3 are optional and the decision to proceed to these stages will be based on the results of the prior stages. The final 25% (third stage) working interest is earned when 97.5 Bcf (100 PJ) of 2P reserves are certified for the project.

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

The permits Strata-X is acquiring are in an area where others from South Africa and Australia are also exploring the CSG fairway. The Company's acreage position is near Tlou Energy's (ASX:TLOU) CSG Project where it has announced independently certified contingent gas resources consisting of 3.3 TCF of 3C, 239 BCF of 2C and 5 BCF of 1C .⁽¹⁾

For the next few months, Strata-X is gathering data on the tenements including well histories and prior operations along with interviewing the best vendors in the country to lead our operations in the Republic. Permitting of the project will begin in early 2017. This will conclude with Strata-X kicking off its operations with the coring of the coal seam gas resource in an existing wellbore on its tenement. The data acquired from the core will be used to design the best drilling practices and completion procedure for new wells the Company intends to drill to high grade the gas resource.

COMPANY OUTLOOK

In addition to the Serowe Gas Project, Strata-X continues to focus on projects in areas where drilling and operational costs are low and margins are sufficient in the current energy market. The Illinois Basin still fits this model of lows costs and good margins. Strata-X owns approximately 17,440 acres with 2P reserves of 1.28 million barrels net to Strata-X⁽²⁾. The Company plans to restart efforts to bring projects forward in the Illinois Basin over the next year.

Consistent with the above approach, the Company has elected to drop its application in the Canning Basin due to the remote nature of the permit and challenges with securing an acceptable Heritage Protection Agreement with the representatives of the native title groups.

To move forward with the Company's strategic plan, the Company welcomes the new and existing shareholders who participated in the recent capital raising of A\$1.55 million. The bulk of this capital will be used for the Serowe Gas Project. The funds raised are sufficient to cover the cost of operations in the Serowe Gas Project and working capital for 2017.

(1) Tlou Energy website, accessed Jan 23, 2017, <http://tlouenergy.com/lesedi-cbm-project>

(2) This information originally in the Company's 51-101 Reserve Report for FY 2016 which is available for viewing at www.strata-x.com.

TENEMENTS

Project	Location	% Interest	Net Acres
Serowe CSG ⁽¹⁾	R. Botswana	75%	204,750
Illinois Oil	Illinois, USA	100%	17,440
Vallecitos	California, USA	22.5%	4,528
Eagle	California, USA	23.9%	770
Total			227,488

(1) Prospecting Licenses % interest subject to fulfillment of certain terms, conditions and work programs as stated in the governing Farm-in agreement dated Dec 2016 between MPE and SXE.

During the quarter ended 31 December 2016, Strata-X added the 273,000 acre Serowe Gas Project where it holds up to a 75% interest. During the same period, the Company also terminated the native title negotiations for the Canning Basin Prospect thereby releasing all rights to the tenement. In the first half of 2017, the Company expects further lease reductions of approximately 4,000 net acres on the Illinois Oil Project.

PRODUCTION SUMMARY

For the six months ended 31 December 2016, oil production to the Company's net revenue interest was down 12.1% to 2,430 barrels (bbls) compared to 2,766 bbls for the six months ended 31 December 2015. The decrease in oil production is attributed to lower production on the Burkett 5-34HOR due to mechanical issues along with natural production decline. For each of the six month periods ended 31 December 2016 and 31 December 2015, no natural gas was sold.

Total revenue for the six months ended 31 December 2016 was \$101,338 compared to \$117,700 for the six months ended 31 December 2015, a decrease of 13.9%. This decrease is attributed to lower production volumes. The average daily production for the Company during the six months ended 31 December 2016 was 13.3 bbls of oil at an average realized sale price of \$41.70 per barrel of oil. Royalties per barrel of oil averaged \$6.95, with production operating expenses for the period of \$35.18 per barrel of oil. The netback received by the Company per barrel of oil sold during the six months ended 31 December 2015 was \$6.52.

CORPORATE FINANCIAL AND OTHER INFORMATION

Financial Position

Strata-X Energy Ltd's cash position at the end of the quarter was USD\$1,358,000.

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 held an Extraordinary Meeting of Shareholders on December 9, 2016 in Denver, Colorado, USA where shareholders voted in favour of all resolutions brought before them. For more information on the results of the meeting please see the Company's news release dated 11 December 2016.

On 23 November 2016, in relation to the private placement announced on 14 November 2016 to ensure compliance with TSX Venture Exchange capital raising requirements, the Board of Directors of the Company approved a consolidation of the common shares of the Company on the basis of one (1) post-consolidation Share for every three (3) pre-consolidation Shares.

On 22 December 2016, the Company closed a private placement (the Placement) with gross proceeds of A\$1,552,500 undertaken by the Lead manager, Bizzell Capital Partners Pty Ltd as announced on November 14, 2016. The Placement included the issuance of 31,050,000 CDIs (representing 31,050,000 common shares) at a price of A\$0.05 per CDI to sophisticated investor clients of BCP pursuant to the terms of the approval of the Company's shareholders obtained at the recent extraordinary meeting on December 9, 2016. Each CDI issued under the Placement represented one common share of Strata-X and will rank equally with existing CDIs. All CDIs issued pursuant to the Placement are to be tradeable and listed on the Australian Securities Exchange. The Company paid the lead Manager A\$60,150 and issued 3,881,250 options exercisable at A\$0.07 for a period of 3 years in relation to the Placement. Strata-X's Chairman, Ron Prefontaine and the CEO, Tim Hoops participated in the Placement.

Share Data

As of 31 December 2016, Strata-X had 89,825,208 shares outstanding, including 67,196,547 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.