



# STRATA-X ENERGY

## Quarterly Activities Report

For Quarter Ended  
30 September 2017

### 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

### Share Registries

#### Canada

Computershare  
Suite 600, 530 – 8<sup>th</sup> Ave SW  
Calgary, Alberta, Canada T2P 3S8  
Tel: +1-403-267-6800

#### Australia

Link Market Services Ltd  
Level 15 ANZ Building  
324 Queen Street  
Brisbane QLD 4000, Australia  
Tel: 1300-554-474

### Stock Exchanges

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

### Auditor

Collins Barrow Calgary LLP  
1400, 777 8<sup>th</sup> Ave SW  
Calgary, Alberta, Canada T2P 3R5

### Solicitors

#### Canada

Armstrong Simpson  
Suite 2080 – 777 Hornby Street  
Vancouver, British Columbia  
Canada, V6Z 1S4

#### Australia

HopgoodGanim  
Level 8, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000, Australia

### Head Office

Strata-X Energy Ltd  
1624 Market St. #302  
Denver, CO USA 80202  
Tel: +1-720-515-8793

[www.strata-x.com](http://www.strata-x.com)  
[info@strata-x.com](mailto:info@strata-x.com)

### Canadian Office

c/o Armstrong Simpson  
2080 – 777 Hornby Street  
Vancouver, B.C.  
Canada V6Z 1S4

### Australian Office

c/o Corporate Administration  
Services  
Level 10, 110 Mary Street  
Brisbane QLD 4000, Australia

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

- Strata-X is reviewing project opportunities that will be accretive and complimentary to management's skillset to build shareholder value.
- Working with Republic of Botswana officials to develop a long term Environmental Management Plan to insure the ability to move forward effectively.
- Retained local Botswana exploration and regulatory experts.
- Established Botswana operating subsidiary, transferred prospecting license to SXE control.

*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.*

## 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. <sup>(1)</sup>*
- *There are immediate and expanding domestic gas markets in southern Africa.*
- *Botswana rated as an attractive investment destination.*

In November 2016, SXE executed 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.<sup>(1)</sup>

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 A\$3.3 billion and A\$550 million respectively. Mr. Prefontaine is also 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.

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

The 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 started 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 will be 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 economies of the Republic of Botswana and its regional neighbors are rapidly growing with energy demand poised to skyrocket. The Republic has set goals for promoting the exploration and development of natural gas resources in the county to meet these demands.

Recently, the Company established Rhino CBM Pty Ltd. (100% owned) and is now the registered holder of the exploration permits after they were transferred to it from MPE. Rhino will be the operator of the Serowe CSG Project. The previously announced operations to re-enter an existing wellbore on the Serowe CSG Project to core the coal seam gas resource have been delayed as the company reviews its regulatory options in the Republic of Botswana. It is the goal of the Company to ensure it can effectively delineate the resource within the two year time period allotted by its tenement while maximizing shareholder value. The Company is confident that a positive outcome will result from this review.

The permits Strata-X acquired 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. TLOU announced on July 12, 2017 that it has applied for the first CBM Mining License in Botswana indicating that their project is advancing towards commercial production.<sup>(2)</sup>

(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 stage of the Project's development. For additional information see Strata-X November 2016 Presentation*

(2) *Per Tlou website and ASX announcements.*

## Company Outlook

In addition to the recently sourced Serowe CSG 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 low costs and good margins. Strata-X owns approximately 10,401 acres with 2P reserves of 1.282 million barrels net to Strata-X<sup>(1)</sup>. The Company plans to restart efforts to bring projects forward in the Illinois Basin over the next year as market conditions allow. Consistent with the above approach, the Company is continuously reviewing project opportunities that will be accretive and complimentary to management's skillset and build shareholder value.

On the Serowe Gas Project where the Company farmed into approximately 273,000 acres in the Kalahari Basin and has the opportunity to achieve a 75% working interest in the Project. The Company established a Republic of Botswana operating subsidiary, Rhino CBM Pty Ltd. (100% owned) and is now the registered holder of the exploration permits after they were transferred to it from MPE. Rhino will be the operator of the Serowe CSG Project. The previously announced operations to re-enter an existing wellbore on the Serowe CSG Project to core the coal seam gas resource have been delayed as the company reviews its regulatory options in the Republic of Botswana. It is the goal of the Company to ensure it can effectively delineate the resource within the two year time period allotted by its tenement while maximizing shareholder value. The Company is confident that a positive outcome will result from this review.

The Company is contracting with vendors and reviewing drilling proposals for its first cored well operation on the Serowe CSG Project. These operations should commence upon successful completion of an Environmental Management Plan. Surface access rights and other approvals for this operation have been acquired from the necessary authorities. After the results of the core hole have been evaluated, the Company intends on drilling, coring and production testing an additional well to evaluate the prospectively of the Serowe Gas Fairway.

For the quarter ended 30 September 2017, the Company invested ~USD\$2,000 in the Illinois Basin Oil Project, principally on project maintenance and ~USD\$4,500 into the Serowe CSG Project mainly on farm-in expenses and acquiring various approvals for its entity Rhino CBM.

(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](http://www.strata-x.com)

## Tenements

Project	Location	% Interest	Net Acres
Serowe CSG <sup>(1)</sup>	R. Botswana	75%	204,750
Illinois Oil	Illinois, USA	100%	10,251
Eagle	California, USA	23.9%	770
<b>Total</b>			<b>215,771</b>

During the quarter ended 30 September 2017, 150 net acres were dropped on the Illinois Oil Project and the Company ceased reporting on the Vallceitos Project which is no longer being pursued. In the remainder of 2017, the Company expects further lease reductions of approximately 7,850 net acres on the Illinois Oil Project.

(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.

## Production Summary

For the three months ended 30 September 2017, oil production to the Company's net revenue interest was down 92% to 139 barrels (bbls) compared to 1,768 bbls for the three months ended 30 September 2016. The decrease in oil production is attributable to limited production on the Burkett 5-34HOR, which was offline for the majority of the quarter due to a reduction in wellbore fluid entry which complicates producing the well with the current downhole electric pump. The Company is reviewing its pumping options for a long-term solution to the Burkett 5-34HOR. For each of the three-month periods ended 30 September 2017 and 30 September 2016, no natural gas was sold.

Total revenue for the three months ended 30 September 2017 was \$5,952 compared to \$73,892 for the three months ended 30 September 2016, a decrease of 92%. This decrease is attributed to lower production volumes on the Burkett 5-34HOR. The average daily production for the Company during the three months ended 30 September 2017 was 1.5 bbls of oil at an average realized sale price of \$42.82 per barrel of oil. Royalties per barrel of oil averaged \$6.85, with production operating expenses for the period of \$70.05 per barrel of oil. The netback received by the Company per barrel of oil sold during the three months ended 30 September 2017 was (\$27.23). The high production operating expenses mainly relate to ongoing maintenance of wells that are currently shut-in awaiting further development.

## Corporate Financial and Other Information

### Financial Position

Strata-X Energy Ltd's cash position at the end of the quarter was USD\$743,000.

### 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

None

### Share Data

As of 30 September 2017, Strata-X had 89,825,208 shares outstanding, including 64,928,448 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.