STRATA-X ENERGY

Interim Financial Report

For Quarter Ended
31 December 2017

Quarter Highlights

- SXE pre-empts third party offer of MPE's 25% interest in the Serowe Gas Project resulting in 100% control of Project for SXE.
- Allows SXE to leverage project and minimize shareholder dilution.
- Serowe CSG Project is a 273,000 acre, 1.4Tcf Prospective Resource play in the heart of the Kalahari Basin CSG Fairway.
- Pre-emption grants SXE full operational control without restrictive Farm-in agreement.
- Working with Republic of Botswana officials to develop a long term Environmental Management Plan to ensure ability to move forward effectively.

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.

Traded on the Australian Securities Exchange (ASX) under the symbol "SXA" and on the TSX Venture Exchange (TSX.V) under the symbol "SXE"

STRATA-X ENERGY LIMITED
ARBN - 160 885 343

Contents

Share Registries

Canada

Computershare
Suite 600, 530 – 8th Ave SW
Calgary, Alberta, Canada T2P 358
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

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

Stock Exchanges

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

Auditor

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

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

Head Office

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

www.strata-x.com
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

The following Management Discussion and Analysis (the "MD&A") for Strata-X Energy Ltd. (hereinafter, "Strata-X Energy", "Company" or "Strata-X") prepared as of 13 February 2018, should be read together with the interim condensed consolidated financial statements for the six months ending 31 December 2017 and related notes appended thereto including the Company's YE 2017 Audited Financials, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in United States dollars unless otherwise indicated. Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements

Certain information contained in this MD&A constitutes "forward-looking information" within the meaning of applicable Canadian securities legislation. The use of any of the words "anticipate", "continue", "estimate", "intend", "potential", "expect", "may", "will", "project", "proposed", "should", "believe" and similar expressions are intended to identify forward-looking information. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. The Company believes that the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon. Such information speaks only as of the date of this MD&A or such other date indicated herein. In particular, this MD&A contains forward-looking information pertaining to the following: expectations regarding growth of the Company; the timing and location of drilling or other operational activities; oil and natural gas production estimates and targets; oil and natural gas production levels and sources of their growth; estimates of resource potential of targets, including without limitation, statements regarding BOE/d production capabilities; quantity of reserves and resources relating to the Company and its assets and its value; capital expenditure programs and estimates relating to timing, cost and cash flow generation related to these programs; size of the Company's oil and natural gas reserves and resources; the performance characteristics of the Company's oil and natural gas properties; projections of market prices for oil and natural gas and exploration, development and production costs; supply and demand for oil and natural gas; expectations regarding the ability to raise capital and continually add to reserves through exploration and development and, if applicable, acquisitions; treatment under governmental regulatory regimes and tax laws; and, the use of financing funds by the Company.

With respect to forward-looking information contained in this document, the Company has made assumptions regarding, among other things: timing and ability of the Company to obtain all necessary environmental and regulatory approvals relating to operations; the recoverability of the Company's oil and natural gas reserves and resources; interest rates; exchange rates and the futures prices of oil and natural gas; operating and capital costs; the Company's ability to generate sufficient cash flow from operations and to access capital markets to meet its future obligations; the Company's ability to attract and retain qualified personnel; the ability of the Company to successfully market its oil and natural gas products and the continuing demand for oil and natural gas; and stability of general economic and financial market conditions.

The Company's actual results could differ materially from those anticipated in such forward-looking information as a result of the risk factors set forth below and in the Company's annual information form dated 21 September 2017 including; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves and resources; risks and uncertainties associated with the Company's oil and natural gas and development program; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions and exploration and development programs; adverse claims made in respect of the Company's properties or assets; failure to engage or retain key personnel; geological, technical, drilling and processing problems, including the availability of equipment and access to properties; risks and uncertainties relating to hydraulic fracturing and the enactment of, or changes to, regulations and legislation in relation to hydraulic fracturing; imprecision in estimating capital expenditures and operating expenses; the expiry of leases and the loss of drilling prospects due to the expiry of leases; fluctuations in foreign exchange rates and stock market volatility; general economic and business conditions in North America and elsewhere; environmental risks and hazards; risks inherent in the exploration, development and production of oil and natural gas which may create liabilities to the Company in excess of the Company's insurance coverage, if any; uncertainties associated with changes in legislation including, but not limited to, changes in income tax laws and to oil and natural gas royalty frameworks; ability to obtain regulatory approvals; risks and uncertainties associated with liquidity and capital resources and requirements; and other factors referenced at "Risk Factors' in the Company's annual information form dated 21 September 2017.

These factors are not, and should not be construed as being exhaustive. In addition, information relating to "reserves" or "resources" is deemed to be forward-looking information, as it involves an implied assessment, based on certain estimates and assumptions that the reserves and resources described can be profitably produced in the future. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking information after the date of this MD&A to conform to actual results or to changes in the Company's expectations except as otherwise required by applicable Canadian securities legislation.

Description of Business

Strata-X Energy Ltd, together with its wholly-owned subsidiaries, Strata-X, Inc. and Strata-X Australia Pty Ltd, is an independent oil and gas exploration company listed on the TSX Venture Exchange (TSX-V) under the symbol “SXE” and the Australian Securities Exchange (ASX) under the symbol “SXA”. Incorporated in British Columbia, Canada, Strata-X Energy has a diversified portfolio of high growth potential petroleum projects. The Company’s strategy is to discover and develop oil and gas prospects with relatively low entry costs, a meaningful acreage position and a large working interest so as to provide shareholders the opportunity for substantial growth.

The Company was incorporated as Ozcapital Ventures Inc. on 18 June 2007 in the province of Alberta, Canada under the Alberta Business Corporations Act. Ozcapital Ventures Inc. was a Capital Pool Corporation and its primary business purpose was to identify and evaluate businesses suitable for a qualifying transaction. It completed a qualifying transaction effective 22 September 2011 pursuant to which it changed its name to Strata-X Energy Ltd. and its trading symbol to SXE on the TSX-V. As part of its qualifying transaction, the Company acquired Strata-X, Inc., a company incorporated in Colorado, USA with activities primarily focused on the acquisition, exploration and development of oil and gas properties in the USA and other regions as noted herein.

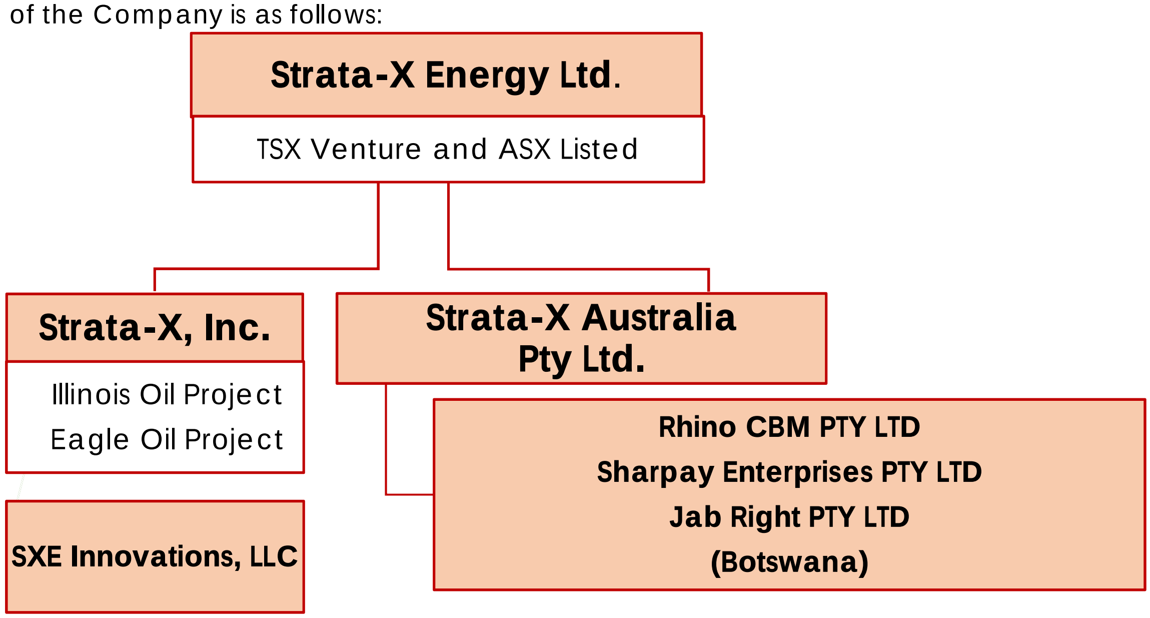
In May 2012, the Company formed a wholly-owned Australian subsidiary, Strata-X Australia Pty. Ltd., for the purpose of acquiring, exploring and developing oil and gas properties in Australia.

On 11 March 2013, the Company began trading on the Australian Securities Exchange (ASX) through the issuance of 42,303,293 CHESS depository interests (CDIs) at the listing price of AUD$0.30 generating gross proceeds of AUD$12,690,987.

Following the initial listing of Strata-X’s securities on the Australian Securities Exchange on 11 March 2013, Strata-X ceased to be a “venture issuer” as defined in Canada’s *National Instrument 51-102 Continuous Disclosure Obligations* and became a non-venture issuer. One of the results of this change in status was an acceleration in the Company’s financial reporting timelines. Strata-X is now required to file its annual audited financial statements within 90 days of each fiscal year end and its interim financial statements within 45 days of each quarter end. The Company is also required to file an annual information form at the time it files its annual audited financial statements.

In January 2017, Rhino CBM (Proprietary) Limited (“Rhino”) was incorporated in accordance with the Companies Act of the Republic of Botswana for the purpose of facilitating a coal seam gas (“CSG”) exploration and development project known to the Company as the ‘Serowe Gas Project’ or ‘Serowe CSG Project’.

The corporate structure of the Company is as follows:



Company Outlook

An active 2018 exploration programme is planned for the Serowe Gas Project, where the Company recently pre-empted a third-party offer and now will own 100% of the 273,000-acre project in the Kalahari Basin. The 1.4 Tcf (post pre-emption) Prospective Resource net to Strata-X lies in the heart of the Kalahari CSG Fairway, and directly offsets projects approved for commercial CSG development. This asset was undeveloped for much of 2017, as the Company worked with Republic of Botswana officials to lay out an exploration plan and framework for an Environmental Management Plan (EMP) to ensure it could effectively delineate the resource within the two-year time period allotted by its tenement while maximizing shareholder value. The Company is confident of a positive outcome with respect to its EMP.

The Serowe Gas Project will be the growth driver for the Company in 2018 as it executes on a staged exploration plan to delineate and prove the CSG resource. The initial focus of the Company's 2018 exploration programme will be to production test direct offset areas, where ASX listed peers have converted more than 3 TCF of prospective resources into contingent resources. Along with the offset testing, Strata-X will explore a sizeable position it holds in the North-Central portion of the Kalahari Basin CSG Fairway, where previous core holes identified thicker potentially viable coal stems.

During the exploration programme, the Company will be seeking commercial market opportunities to sell the CSG resource within Botswana. The Republic of Botswana is moving to generate more electricity from clean resources like natural gas, along with searching for alternatives to coal and the widespread use of expensive imported diesel fuel. Along these lines, the initial market opportunities for the Company's natural gas will be gas-to-electric power plants and diesel-to-CNG conversions at large industrial facilities.

Strata-X continues to review its development options in the Illinois Basin where the Company has 2P reserves of 1.419 million barrels net (1). The Company plans to either bring projects forward in the Illinois Basin over the next year or seek to farm out the opportunities providing Strata-X shareholders upside value. 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.

For the quarter ended 31 December 2017, the Company invested ~USD$8,000 in the Illinois Basin Oil Project, principally on project maintenance and ~USD$43,323 into the Serowe CSG Project mainly on legal expenses related to the pre-emption offer and in-country consulting.

Information originally appears in the Company's NI 51-101 Report for FYE 2017 which is available for review at www.strata-x.com

Production Summary

For or the six months ended 31 December 2017, oil production to the Company's net revenue interest was down 89% to 273 barrels (bbls) compared to 2,227 bbls for the six months ended 31 December 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 31 December 2017 and 31 December 2016, no natural gas was sold.

Oil Sales for the six months ended 31 December 2017 were $12,778 compared to $101,338 for the six months ended 31 December 2016, a decrease of 87%. This decrease is attributed to lower production volumes. The average daily production for the Company during the six months ended 31 December 2017 was 1.2 bbls of oil at an average realized sale price of $46.84 per barrel of oil. Royalties per barrel of oil averaged $9.15, with production operating expenses for the period of $54.30 per barrel of oil. The netback received by the Company per barrel of oil sold during the six months ended 31 December 2017 was ($16.61). The high production operating expenses mainly relate to ongoing maintenance of wells that are currently shut-in awaiting further development.

Tenements

Project	Location	% Interest	Net Acres
Serowe CSG(1)	R. Botswana	75%	204,750
Illinois Oil	Illinois, USA	100%	2,401
Eagle	California, USA	23.9%	770
Total			**207,921**

During the quarter ended 31 December 2017, 7,850 net acres were dropped from the Illinois Oil Project. In the first half of 2018, the Company expects further lease reductions of approximately 934 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 (ASX:MPE) and SXE.

(2) 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 (ASX:MPE) and SXE.

(3) 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 (ASX:MPE) and SXE.

(4) 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 (ASX:MPE) and SXE.

(5) 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 (ASX:MPE) and SXE.

(6) 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 (ASX:MPE) and SXE.

(7) 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 (ASX:MPE) and SXE.

(8) 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 (ASX:MPE) and SXE.

(9) 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 (ASX:MPE) and SXE.

(10) 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 (ASX:MPE) and SXE.

(11) 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 (ASX:MPE) and SXE.

(12) 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 (ASX:MPE) and SXE.

(13) 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 (ASX:MPE) and SXE.

(14) 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 (ASX:MPE) and SXE.

(15) 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 (ASX:MPE) and SXE.

(16) 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 (ASX:MPE) and SXE.

Features of Serowe CSG Project – Republic of Botswana

- **Active 2018 exploration programme planned.**
- **Post pre-emption closing, Strata-X will own 100% 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 1.4 Tcf (post pre-emption) 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 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. As announced on 2 January 2018, the Company has pre-empted a third party offer to buy out MPE's 25% interest in the 273,000 acre, 1.4Tcf Prospective Resource(1), Serowe Gas Project ("Serowe"). Strata-X elected to pre-empt the offer as its gives the Company flexibility in developing the resources outside of a restrictive farm-in agreement and grants the Company greater optionality to use the value in the Serowe tenement in lieu of shareholder dilution. The Serowe project is located in the Kalahari Basin CSG fairway, and offsets tenements of ASX peer TLOU (ASX:TOU).

In January 2018, the Company's Prospecting Licenses held in the Republic of Botswana, covering the Serowe CSG Project, were re-issued until the end of 2025 opening the door to an active 2018 appraisal programme. The previous remaining term of the inherited prospecting licenses to the end of 2018 was insufficient and the Company sought and has been granted the reissuance primarily to protect shareholder investment. Strata-X currently holds the tenements through its Republic of Botswana subsidiary, Sharpay Enterprises PTY LTD.

The Company expects the final pre-emption agreements to be executed by the end of the first quarter of 2018. During this time, the Company will initiate environmental surveys to complete an Environmental Management Plan ("EMP") for its 2018-2019 drilling and testing programme. Upon concluding the EMP, the Company will move forward with an active drilling and testing programme.

To offset pre-emption costs of buying-out MPE, Strata-X is actively engaged in farm-out discussions with third parties to sell a non-operated position in the tenements which should defray the cost of pre-empting and a portion of the 2018 exploration programme. Any arrangements that the Company enters will preserve its rights to develop the resource as operator, granting Strata-X the ability to control timing and development methods.

The pre-emption offer made by Strata-X will be subject to similar terms and conditions as that made by the third party seeking MPE's 25% interest in Rhino CBM PTY LTD. The agreement will call for an immediate deposit of AUD$25,000 to MPE along with execution of the formal Purchase and Sale Agreement ("PSA") by the end of February 2018. Upon execution of a PSA and Strata-X's satisfaction of several closing conditions, Strata-X will pay MPE AUD$125,000 in cash and grant a 3.5% overriding royalty interest in the tenements net to MPE's 25% bought out ownership. Thereafter, Strata-X will deliver to MPE, AUD$200,000 within 60 days of closing the PSA along with another AUD$200,000 within 135 days of closing the PSA. The PSA, which has yet to be drafted, will include customary warranties, covenants, terms, and conditions.

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 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.

(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 100% working interest in the Project that Strata-X will only earn upon completing the Pre-Emption. 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

In December 2014, the Company drilled the Blue Spruce # 1, its first well in a multi-well drilling program in the Illinois Basin. The well, which reached a total depth of 3,280 feet, encountered multiple oil and gas shows in the targeted shallow Mississippian formations. The Company elected to case the well with 5.5-inch casing before releasing the drilling rig.

In January 2015, the Company mobilized completion equipment to the location of the Blue Spruce #1 to test the productivity of the well. After successfully testing two oil zones in the Blue Spruce #1 well on the Illinois Shallow Oil Project, the well was set up for production in the Aux Vases formation. Blue Spruce #1 was placed on production until April 2015 when it was determined its production would cease until additional facilities were installed to maintain pressure in the field via water flooding.

In a report dated 30 June 2017, Strata-X's independent engineer, Chapman Petroleum Engineering Ltd (Chapman), confirmed Proved plus Probable Reserves are 1.282 million barrels of light oil net to the Company on the Blue Spruce project. Strata-X currently has the rights to 720 net acres of the Blue Spruce project where it has identified 19 oil development locations. Chapman calculated a before tax Net Present Value (BTNPV disc 10%) of the Blue Spruce project to the Company of USD$39.5 million (unrisked). (1)

To increase oil recovery and oil flow rates, the Blue Spruce project will require water pressure maintenance involving water flooding of the Aux Vases formation. It is estimated that the waterflood development will extract approximately 40% of the Petroleum Initially In Place ("PIIP" unrisked) resulting in a projected recovery of 1.282 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 barrels of oil per day net to the Company.(2)

Past water flooding projects in the Aux Vases formation in areas immediately adjacent to the Company's Blue Spruce Project have been successful. Previous yielded recoveries have been in excess of the forecasted 40% rate for Blue Spruce.(2) Following water flooding, tertiary recovery methods may also be considered by the Company which could further increase the recovery of the PIIP and oil reserves from the Blue Spruce oil field.

(1) Information originally appeared in the Company's FYE 2017 51-101 Reserve Report available for viewing at www.strata-x.com

Eagle Project

Kings County, California, USA

The Company now has a 23.9% working interest in 3,221 gross acres of land in the Eagle Project in the San Joaquin Valley area in California and is the operator of the project. One previously drilled well in the Eagle Project area encountered good oil shows in the Eocene Age Gatchell sands that tested up to 192 barrels of light oil and 427 Mcf of gas per day. Although light oil was recovered, the well was considered to be non-commercial at the time due primarily to formation damage by heavy drilling mud and cement squeezing. Subsequent activity on the prospect was met with mechanical issues despite continuing indications of oil shows in the primary target.

Historical quarterly information is as follows:

	31 Dec 2017	30 Sep 2017	30 June 2017	31 March 2017	31 Dec 2016	30 Sep 2016	30 June 2016	31 March 2016
Total Assets	$13,071,918	$13,217,828	$13,451,366	$13,718,890	$13,889,763	$13,242,254	$13,515,577	$13,941,392
Revenue, net of Royalties	$13,332	$7,716	$26,996	$36,242	$30,134	$73,892	$10,932	$5,607
Net Income (Loss)	$(159,222)	$(147,788)	$(35,603)	$(173,778)	$(287,431)	$(209,340)	$(25,310)	$(1,269,703)
Basic & diluted net income (loss) per share (1)	($0.00)	($0.00)	($0.01)	($0.00)	($0.00)	$0.00	$0.00	$(0.02)

(1) Basic and diluted net loss per share has been retrospectively restated to reflect the 3:1 share consolidation that was completed effective 23 November 2016.

Results of Operations

As noted above, total revenue for the quarter ended 31 December 2018 was $13,332 compared to $30,134 for the quarter ended 31 December 2016. The decrease is due to decreased oil production.

Production and exploration expenses for the quarter ended 31 December 2017 were $7,482 compared to $24,509 for the same quarter last year, consistent with the decrease in oil and gas revenues over the same period.

General and administrative expenses for the quarter ended 31 December 2017 decreased by $22,296 to $122,394 from $144,690 for the same quarter last year primarily due to cost reduction efforts and lower share-based compensation cost due to vesting of stock options.

Liquidity and Capital Resources

The interim condensed consolidated financial statements have been prepared on a going concern basis 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 $(159,222) for the three months ended 31 December 2017.

Management has been and continues to be active in seeking additional means to sustain the Company's financial position during the current economic environment including but not limited to investigating potential partnership, merger and/or joint venture opportunities and acquiring and disposing of oil and natural gas properties. In addition, the Company continues to focus on moving forward in Stage 1 of the Serowe CSG Project.

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 depends 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 the notes to the consolidated financial statements, during the twenty-four months ended 30 June 2017, the Company was successful in completing three private placements for gross proceeds of approximately $2,160,000. As a result of these equity offerings, the Company had a working capital surplus of approximately $541,500 as at 31 December 2017. The Company cannot provide any assurance that sufficient cash flows will be generated from operating activities or that proceeds from other activities noted above will be able to sustain the Company's financial position.

The Company currently has no contractual obligations.

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at 31 December 2017 and as at the date hereof, a total of 89,825,208 common shares and CDIs were issued and outstanding with a resulting share capital of $36,955,438. The Company has 3,881,250 warrants and 8,573,333 stock options outstanding with 4,773,333 options exercisable as of 31 December 2017 and as at the date hereof.

The Company has established a Stock Option Plan (Plan) for the benefit of directors, officers, employees and consultants of the Company. Pursuant to the Plan, 10% of the issued and outstanding common shares have been reserved for options to be granted to the Company's directors, officers, employees and consultants. 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements and no outstanding future financial obligations.

Transactions with Related Parties

The Company utilizes the services of an outside firm the majority owner of which is 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 $4,100. During the six months ended 31 December 2017, the Company incurred approximately $25,400 (2016 - $24,400) in costs with the outside firm for accounting services.

Summary of Significant Accounting Policies

The interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of computation used in preparing the Company's 30 June 2017 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 2017 annual financial statements.

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. There have been no changes to these policies during the six months ended 31 December 2017.

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. There have been no significant changes to the Company's market risks.

Credit risk

The Company's exposure to credit risk relates to cash and cash equivalents, accounts receivable and other assets and arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk and concentration risk by keeping the majority of its cash and cash equivalents and other assets with major chartered banks. The Company performs continuous evaluation of its accounts receivable and records an allowance for doubtful accounts when determined necessary. 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.

As of 31 December 2017, the Company recorded an allowance for doubtful accounts of $156,090 (30 June 2017 - $156,090) related to an amount due from a project operator that was greater than 90 days outstanding. Included in accounts receivable is an amount past due of $48,172.

Critical Accounting Estimates

The timely preparation of financial statements 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, 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. There have been no changes to the application of the critical accounting estimates since the year ending 30 June 2017.

Future Changes in Accounting Policies

Management is currently assessing the potential impact of the adoption of new standards on the Company's consolidated financial statements as disclosed in the Company's annual consolidated financial statements at 30 June 2017 and does not expect a significant change as a result of adoption.

Other Company Information

Additional disclosure information for Strata-X Energy Ltd. can be located in its latest Annual Management Discussion and Analysis, Annual Information Form and Audited Financials for the year ended 30 June 2017. All documents are available on SEDAR and the Company's website.

Tim Hoops	David Hettich
CEO, President and Managing Director	Chief Financial Officer

Collins Barrow Calgary LLP
1400 First Alberta Place
777 – 8th Avenue SW
Calgary, Alberta T2P 3R5
Canada
T: (403.298.1500)
F: (403.298.5814)
Email: calgary@collinsbarrow.com
www.collinsbarrow.com

February 13, 2018

To the Audit Committee of the Board of Directors of
Strata-X Energy Ltd.

In accordance with our engagement letter dated November 28, 2017, we have performed interim reviews of the interim condensed consolidated financial statements of Strata-X Energy Ltd. which comprise the interim condensed consolidated statement of financial position as at December 31, 2017, and the interim condensed consolidated statements of loss and comprehensive loss, interim condensed consolidated statements of changes in shareholders' equity, and interim condensed consolidated statements of cash flows for the six month periods ended December 31, 2017 and 2016. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We performed our interim reviews in accordance with Canadian generally accepted standards for a review of interim condensed consolidated financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim reviews, we are not aware of any material modification that needs to be made for these interim condensed consolidated financial statements to be in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including International Accounting Standard 34, *"Interim Financial Reporting".*

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated statement of financial position of Strata-X Energy Ltd. as at June 30, 2017 and the related consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity, and consolidated statement of cash flows for the year then ended (not presented herein). In our report dated September 20, 2017, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying interim condensed consolidated statement of financial position as at June 30, 2017 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

This report is solely for the use of the Audit Committee of the Board of Directors of Strata-X Energy Ltd. to assist it in discharging its regulatory obligation to review these interim condensed consolidated financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Collins Barrow Calgary LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Financial Statements
For the Six Months Ended 31 December 2017
(Expressed in U.S. Dollars)

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Statement of Financial Position
31 December 2017
(Expressed in U.S. Dollars)

	31 December 2017	30 June 2017
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 598,399	$ 975,442
Accounts receivable	54,600	60,336
Prepaids and other	15,509	11,553
Total current assets	668,508	1,047,331
Other assets	215,347	247,234
Exploration and evaluation assets (Note 5)	112,759	64,678
Property and equipment (Note 6)	12,075,304	12,092,123
Total assets	$ 13,071,918	$ 13,451,366
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 120,725	$ 140,016
Amounts due to related parties	6,267	67,057
Total current liabilities	126,992	207,073
Accrued liabilities	63,048	63,048
Decommissioning provisions	504,526	513,150
Total liabilities	694,566	783,271
SHAREHOLDERS' EQUITY:		
Share capital (Note 7)	36,955,438	36,955,438
Share based compensation reserve (Note 7)	1,541,273	1,531,908
Warrant reserve (Note 7)	1,102,488	1,102,488
Contributed surplus	22,066,879	22,066,879
Accumulated other comprehensive income (loss)	(814,926)	(821,829)
Deficit	(48,473,800)	(48,166,789)
Total shareholders' equity	12,377,352	12,668,095
Total liabilities and shareholders' equity	$ 13,071,918	$ 13,451,366

Going Concern (Note 1)
Commitments and subsequent event (Notes 1 and 13)

Approved on behalf of the Board

Director Director

See accompanying notes

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Statement of Loss and Comprehensive Loss
For the Three and Six Months Ended 31 December 2017 and 31 December 2016
(Expressed in U.S. Dollars)

	Three months ended 31 December		Six months ended 31 December	
	2017	2016	**2017**	2016
Oil and gas revenue, net of royalties	$ 13,332	$ 30,134	$ 21,048	$ 104,026
Expenses				
Production and operating	7,481	24,509	17,700	95,687
General and administrative	122,394	144,690	260,801	290,002
Depletion, depreciation and amortization (Note 6)	20,550	145,193	25,793	212,790
Loss on abandonment deposits and decommissioning provisions	20,063	-	20,063	-
Total expenses	170,488	314,392	324,357	598,479
Net operating loss	(157,156)	(284,258)	(303,309)	(494,453)
Gain on valuation of derivative liabilities	-	155	-	872
Net finance income (expense) (Note 9(c))	(2,066)	(3,328)	(3,702)	(3,190)
Loss for the period	(159,222)	(287,431)	(307,011)	(496,771)
Other comprehensive income (loss)				
Exchange differences in translating foreign operations	4,072	(12,103)	6,903	(13,251)
Other comprehensive income (loss) for the period	4,072	(12,103)	6,903	(13,251)
Comprehensive loss	$ (155,150)	$ (299,534)	$ (300,108)	$ (510,022)
Loss per common share, basic and dilluted (Note 8)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

See accompanying notes

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
For the Six Months Ended 31 December 2017 and 31 December 2016
(Expressed in U.S. Dollars)

	Share Capital	Share based Compensation Reserve	Warrants Reserve	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total
Balance, 1 July 2017	$ 36,955,438	$ 1,531,908	$ 1,102,488	$ 22,066,879	$ (821,829)	$ (48,166,789)	$ 12,668,095
Share-based compensation (Note 7)	-	9,365	-	-	-	-	9,365
Loss and comprehensive income (loss)	-	-	-	-	6,903	(307,011)	(300,108)
Balance, 31 December 2017	$ 36,955,438	$ 1,541,273	$ 1,102,488	$ 22,066,879	$ (814,926)	$ (48,473,800)	$ 12,377,352

	Share Capital	Share based Compensation Reserve	Warrants Reserve	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total
Balance, 1 July 2016	$ 35,968,547	$ 1,471,989	$ 1,009,486	$ 22,066,879	$ (821,967)	$ (47,460,637)	$ 12,234,297
Private placement, 2 December 2016	320,262	-	-	-	-	-	320,262
Private placement, 22 December 2016	759,631	-	-	-	-	-	759,631
Share-based compensation	-	41,678	-	-	-	-	41,678
Loss and comprehensive loss	-	-	-	-	(13,251)	(496,771)	(510,022)
Balance, 31 December 2016	$ 37,048,440	$ 1,513,667	$ 1,009,486	$ 22,066,879	$ (835,218)	$ (47,957,408)	$ 12,845,846

See accompanying notes

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Statement of Cash Flows
For the Six Months Ended 31 December 2017
(Expressed in U.S. Dollars)

	Six months ended 31 December	
	2017	2016
Cash and cash equivalents provided by (used in):		
Operating activities:		
Net loss for the period	$ (307,011)	$ (496,771)
Adjustments for:		
Depletion, depreciation and amortization	25,793	212,790
Loss on abandonment deposits and decommissioning provisions	20,063	-
Accretion expense	5,000	4,426
Share-based compensation	9,365	41,678
Unrealized loss on foreign exchange	-	5,116
Gain on valuation of derivative liabilities	-	(872)
Operating cash flows before changes in non-cash working capital	(246,790)	(233,633)
Cash abandonment expenditures	(26,800)	-
Changes in non-cash working capital (Note 9)	(80,748)	(168,833)
Net cash used in operating activities:	(354,338)	(402,466)
Investing activities:		
Exploration and evaluation assets expenditures	(48,081)	(31,000)
Proceeds from abandonment deposits	25,000	-
Property and equipment expenditures	(8,974)	(13,746)
Net cash used in investing activities:	(32,055)	(44,746)
Financing activities:		
Proceeds from issuance of common stock	-	1,132,322
Payment of share issuance costs	-	(52,429)
Net cash from financing activities:	-	1,079,893
Increase (decrease) in cash and cash equivalents	(386,393)	632,681
Cash and cash equivalents, beginning of period	975,442	744,042
Effect of exchange rate translation	9,350	(18,381)
Cash and cash equivalents, end of period	$ 598,399	$ 1,358,342

See accompanying notes

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 California and Illinois within the United States and in the Republic of Botswana in Africa. The headquarters of the Company are located at 1620 Market Street, Suite #3W, Denver, Colorado 80202.

Strata-X Energy, Ltd. is a publicly traded company on the TSX-Venture Exchange under the symbol "SXE.V", and on the Australian Securities Exchange under the symbol "ASX.SXA". Effective 23 November 2016, a 3 for 1 share consolidation was approved by the shareholders of the Company. These financial results are presented on the basis of the post-consolidated shares outstanding. All share, option, warrant and per share comparative numbers have been retroactively restated to reflect the share consolidation.

Going Concern

The interim condensed consolidated financial statements have been prepared on a going concern basis, 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 $307,011 for the six months ended 31 December 2017 (year ended 30 June 2017 - $2,441,739) and has an accumulated deficit of $48,473,800 as of 31 December 2017 (30 June 2017 - $48,166,789). In addition, the Company incurred negative operating cash flows before changes in non-cash working capital of $246,790 for the six month period ended 31 December 2017 (year ended 30 June 2017 - $584,830).

Management has been and continues to be active in seeking additional means to sustain the Company's financial position during the current economic environment including but not limited to investigating potential partnership, merger and/or joint venture opportunities and acquiring and disposing of oil and natural gas properties. In addition, the Company continues to focus on development of the CSG Project (Note 13). In January 2018, the Company pre-empted a third party offer to buy out the interest held by the arm's length third party in the CSG Project. The pre-empt calls for an immediate deposit of AUD$25,000, along with additional payments over time totaling AUD$525,000 upon successful execution of a purchase and sale agreement, at which time the Company would secure 100% of the working interests in the project. To potentially offset the cost to buy out the interest, the Company is actively engaged in farm-out discussions with third parties to sell a non-operated position in the tenements in the project. In February 2018, the prospecting licenses covering the project were re-issued by the Republic of Botswana until the end of 2025, allowing the Company a timeframe for proving existing reserves and additional time to market a potential sale of a non-operated position in the project. Management anticipates the need for further financing and/or equity funding to fund future exploration and development of the Company's various oil and gas properties including the CSG Project (Note 13).

1. **Nature of Business and Going Concern (continued)**

Going Concern (continued)

The Company cannot provide any assurance that sufficient cash flows will be generated from operating activities or that proceeds from other activities noted above will be able to sustain the Company's financial position.

The above-noted factors describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management considers the Company a going concern and has prepared the interim condensed consolidated financial statements on a going concern basis.

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 presentation 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 2017.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of 13 February 2018, the date of the Board of Directors' approval of the statements.

b) Reporting entity

The interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Strata-X, Inc. domiciled in the United States and Strata-X Australia PTY Ltd. domiciled in Queensland, Australia. In January 2017, Rhino CBM (Proprietary) Limited ("Rhino") was incorporated in accordance with the Companies Act of the Republic of Botswana, Africa, and is a wholly-owned subsidiary of Strata-X, Australia PTY Ltd. In 2017, SXE Innovations, LLC was formed as a wholly-owned subsidiary of Strata-X, Inc. In December 2017 Sharpay Enterprises Pty Limited ("Sharpay") and Jab Right Pty Limited ("Jab Right") were incorporated in accordance with the Companies Act of the Republic of Botswana, Africa, and are wholly-owned subsidiaries of Strata-X Australia PTY Ltd.

(Expressed in U.S. Dollars)

2. **Basis of Presentation (continued)**

c) Management's Significant Accounting Judgments, Estimates and Assumptions

The timely preparation of interim condensed financial statements 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. Accordingly, 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. There have been no changes to the use of estimates or management's judgments since 30 June 2017.

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 2017 annual consolidated financial statements. The Company continues to assess the impact of adopting the pronouncements of the IASB as described in the Company's 30 June 2017 annual financial statements, however does not expect any significant impact.

4. **Segment Reporting**

The Company operates in one industry segment, being the oil and gas industry, in several geographic locations. There have been no changes to the Company's geographic locations or industry segments since 30 June 2017. Segmented information in USD by geographic location is as follows:

As at and for the six months ended 31 December 2017:

	Canada	United States	Australia	Botswana	Total
Revenues	$ -	$ 21,048	$ -	$ -	$ 21,048
Income (Loss)	$ (75,891)	$ (231,120)	$ -	$ -	$ (307,011)
Non-current Assets	$ -	$ 12,291,993	$ -	$ 111,417	$ 12,403,410
Total Assets	$ 32,072	$ 12,714,549	$ 213,880	$ 111,417	$ 13,071,918
Total Liabilities	$ 11,450	$ 621,396	$ 61,720	$ -	$ 694,566

(Expressed in U.S. Dollars)

4. **Segment Reporting**

As at and for the six months ended 31 December 2016:

	Canada	United States	Australia	Total
Revenues	$ -	$ 104,026	$ -	$ 104,026
Income (Loss)	$ (129,273)	$ (364,719)	$ (2,779)	$ (496,771)
Non-current Assets	$ -	$ 12,416,355	$ 31,000	$ 12,447,355
Total Assets	$ 14,908	$ 12,833,168	$ 1,072,687	$ 13,920,763
Total Liabilities	$ 19,057	$ 1,017,626	$ 38,234	$ 1,074,917

5. **Exploration and Evaluation Assets**

	31 December 2017	30 June 2017
Balance, beginning of period	**$ 64,678**	$ -
Additions	**48,081**	64,678
Impairment loss	**-**	-
Balance, end of period	**$ 112,759**	**$ 64,678**

As at 30 June 2017, the Company determined there were no indicators of impairment or indications that impairment losses on exploration and evaluation assets recognized in prior periods be reversed.

Additions in the period and total exploration and evaluation assets relate solely to activities associated with the CSG Project (Note 13).

(Expressed in U.S. Dollars)

6. Property and Equipment

Cost

	Balance at 30 June 2016	Additions	Change in Decommissioning Provision	Balance at 30 June 2017	Additions	Balance at 31 December 2017
Oil and gas properties	$ 13,097,223	$ 16,209	$ (70,000)	$ 13,043,432	$ 8,974	$ 13,052,406
Computer equipment and software	19,032	-	-	19,032	-	19,032
	$ 13,116,255	$ 16,209	$ (70,000)	$ 13,062,464	$ 8,974	$ 13,071,438

Accumulated Depletion, Depreciation, Amortization and Impairment

	Balance at 30 June 2016	Additions	Balance at 30 June 2017	Additions	Balance at 31 December 2017
Oil and gas properties	$ 664,884	$ 289,475	$ 954,359	$ 24,620	$ 978,979
Computer equipment and software	13,206	2,776	15,982	1,173	17,155
	$ 678,090	$ 292,251	$ 970,341	$ 25,793	$ 996,134

Net Book Value

	Balance at 30 June 2017	Balance at 31 December 2017
Oil and gas properties	$ 12,089,073	$ 12,073,427
Computer equipment and software	3,050	1,877
	$ 12,092,123	$ 12,075,304

Impairment

The Company assesses many factors when determining if an impairment test should be performed. At 31 December 2017 the Company determined that no impairment indicators or reversal of impairment indicators existed for the Company's CGU's. Accordingly, no impairment tests were performed.

(Expressed in U.S. Dollars)

7. **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 share.

Common shares issued and outstanding:

	Number	Amount
Balance at 30 June 2016	58,775,208	$ 35,968,547
Private placement, 2 December 2016	8,700,000	320,262
Private placement, 22 December 2016	22,350,000	812,060
Share issuance costs		(145,431)
Balance at 30 June 2017 and 31 December 2017	89,825,208	$ 36,955,438

(Expressed in U.S. Dollars)

7. Share Capital (continued)

Finder warrants

Activity related to the number of warrants outstanding and exercisable for the Company for the six months ended 31 December 2017 and the year ended 30 June 2017 is as follows:

	31 December 2017			30 June 2017		
	Number	Weighted Average Exercise Price	Currency	Number	Weighted Average Exercise Price	Currency
Balance, beginning of period	3,881,250	$ 0.07	AUD	6,166,293	$ 0.96	
Finder warrants - 9 January 2017	-	-		3,881,250	0.07	AUD
Expiration of warrants	-	-		(6,166,293)	0.96	
Balance, end of period	3,881,250	$ 0.07	AUD	3,881,250	$ 0.07	AUD

The following table summarizes information on warrants outstanding at 31 December 2017:

Exercise Price	Currency	Number Outstanding	Weighted Average Contractual Life (years)
$ 0.07	AUD	3,881,250	2.02

7. **Share Capital (continued)**

Stock Option Plan

The following table summarizes the activity of the stock options. The exercise prices of the various issuances of options over time are presented in Canadian dollars and assumes an exchange rate of 1.0 $AUD to $CAN.

	31 December 2017			30 June 2017		
	Number of Options	Weighted Average Exercise Price (CAN)		Number of Options	Weighted Average Exercise Price (CAN)	
Outstanding, beginning of period	4,940,000	$	0.59	4,956,667	$	0.60
Granted	3,800,000		0.05	-		-
Expired	-		-	(16,667)		1.50
Outstanding, end of period	8,740,000	$	0.36	4,940,000	$	0.59
Exercisable, end of period	4,940,000	$	0.59	4,173,333	$	0.64

The Company granted 3,800,000 options on 19 December 2017 that vest in 25% increments every six months beginning on 19 June 2018 with the final 25% increment of options vesting on 19 December 2019.

(Expressed in U.S. Dollars)

7. **Share Capital (continued)**

Stock Option Plan (continued)

The following table summarizes information on stock options outstanding and exercisable at 31 December 2017:

Exercise Price	Currency	Number Outstanding	Number Exercisable	Average Contractual Life (years)
$ 0.90	CDN	1,306,667	1,306,667	3.04
$ 1.02	CDN	283,333	283,333	4.73
$ 1.23	CDN	250,000	250,000	0.81
$ 1.50	CDN	33,333	33,333	0.30
$ 0.36	AUD	3,066,667	3,066,667	2.54
$ 0.05	CDN	3,800,000	-	4.97
		8,740,000	4,940,000	

During the six months ended 31 December 2017, the Company expensed the fair value recognized for stock options of $9,365 (31 December 2016 - $41,678) as general and administrative costs with a corresponding adjustment to share based compensation reserve in shareholders' equity.

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

	31 December 2017	
Exercise price	$0.05 CAN	
Grant date fair value	$0.02	CAN
Expected dividend rate	0%	
Expected volatility	105%	
Risk-free interest rate	1.00%	
Expected life of options (years)	5.00	
Forfeiture rate	0.0%	
Share price on grant date	$0.03	CAN

Expected volatility was determined based on the Company's historical volatility and a comparison to other companies in the business of exploration for and development of production of oil and natural gas. A forfeiture rate of 0% was used when recording stock-based compensation as it is expected that all officers, directors, employees and consultants will continue with the Company over the vesting period.

(Expressed in U.S. Dollars)

8. Loss per Common Share

The basic loss per common share is based on the weighted average number of common shares outstanding for the three and six months ended 31 December 2017 of 89,825,208 (2016 – 63,703,999 and 61,239,597, respectively). All stock options and finder 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.

9. Supplemental Cash Flow Information

(a) Changes in non-cash working capital items:

	Six months ended 31 December			
	2017		2016	
Accounts receivable	$	5,736	$	(21,729)
Prepaids and other		(3,956)		(7,201)
Accounts payable and accrued liabilities		(21,738)		(67,901)
Amounts due to related parties		(60,790)		(72,002)
	$	(80,748)	$	(168,833)

(b) Cash and cash equivalents is comprised of:

`

	31 December 2017		30 June 2017	
Balances with banks in current accounts	$	269,982	$	297,231
Money market savings account		328,417		678,211
	$	598,399	$	975,442

(c) Net finance expense for the three and six months ended 31 December 2017 includes $3,000 and $5,000 in accretion expense, respectively (2016 - $nil three months; $4,426 six months) net of finance income of $934 and $1,298, respectively (2016 - $138 three months; $1,236 six months).

10. Related Party Transactions

The Company utilizes the services of an outside firm in which the majority owner of the firm is 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 $4,100. During the six months ended 31 December 2017, the Company incurred approximately $25,400 (2016 - $24,400) in costs payable to the outside firm for accounting services. Approximately $19,400 (2016 - $11,600) is included in general and administrative expenses and $6,000 (2016 - $12,800) was invoiced to joint venture partners as general and administrative expense recovery and included in accounts receivable at 31 December 2017. At 31 December 2017, amounts owing and included in due to related parties is approximately $5,100 (2016 – $Nil).

(Expressed in U.S. Dollars)

11. Financial Instruments

Financial risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, market risk, credit risk, liquidity risk, commodity price risk and foreign exchange risk. There were no changes to the Company's risk management policies or processes during the six month period ended 31 December 2017.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. As at 31 December 2017, the Company had a positive working capital of $541,516 (30 June 2017 - $840,258). The commodity price environment experienced during the period has negatively impacted earnings and operating cash flow.

The Company continues to focus on minimal capital activities, reducing operating and general and administrative costs and enhancing operational efficiencies to preserve the Company's financial health and sustainability in the current price environment. As discussed in Note 1, management continues to seek additional means to sustain the Company's financial position and liquidity including but not limited to investigating potential partnership, merger and/or joint venture opportunities and acquiring and disposing of oil and natural gas properties and, as circumstances and conditions dictate, the successful completion of further private placements. The Company cannot provide any assurance that sufficient cash flows will be generated from operating activities or that proceeds from other activities will be able to provide adequate working capital to sustain operations for the long-term.

The Company's non-derivative financial liabilities on the statement of financial position consist of the following contractual maturities:

	Less than a year	After 5 years
Accounts payable and accrued liabilities	$ 120,725	$ -
Amounts due to related parties	6,267	-
Accrued liabilities	-	63,048
	$ 126,992	$ 63,048

The amounts recorded for accrued liabilities relate to amounts received from joint interest partners for their share of future remediation of oil and natural gas interests.

The Company is also subject to commitments as disclosed in Note 13.

11. **Financial Instruments (continued)**

Credit risk

The Company's exposure to credit risk relates to cash and cash equivalents, accounts receivables and other assets 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 and cash equivalents 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 these financial assets being $873,374 at 31 December 2017 (30 June 2017 - $1,283,012). 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.

As of 31 December 2017, the Company recorded an allowance for doubtful accounts of $156,090 (30 June 2017 - $156,090) related to an amount due from a project operator that was greater than 90 days outstanding. Included in accounts receivable is an amount past due of $48,172 (30 June 2017 - $39,528).

Market risk

The Company's exposure to 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, foreign exchange risk and commodity price risk. There is no significant changes to the Company's exposure to market risks since 30 June 2017.

12. **Capital Management**

The Company's objective when managing capital is to progress the exploration and development of natural gas properties in Botswana, under Rhino, by maintaining adequate cash resources to support its planned activities through the prudent deployment of capital. As noted above, the Company continues to focus on activities that represent the best, and highest use of available capital. The Company includes shareholders' equity in the definition of capital.

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. There were no changes in the Company's approach to capital management during the period.

The Company is not subject to externally imposed capital requirements.

Total capital managed is as follows:

	31 December 2017	30 June 2017
Shareholders' equity	**$ 12,377,352**	**$ 12,668,095**

Total capital managed decreased for the six months ended 31 December 2017 due to the overall use of cash in operating activities for the period.

13. **Commitments**

Farm-in agreement and subsequent purchase of interests

In December 2016, Rhino entered into a farm-in agreement (“Agreement”) with an arms-length company (“Farmco”) for a 3 stage farm-in over an expected term of 3 years to earn up to 75% of the Serowe coal seam gas project (“CSG Project”) located on the Kalahari Basin CSG Fairway in Botswana, Africa. The three stages of the farm-in agreement were defined by Milestone Dates per the Agreement, with the Stage 1 Milestone Date being March 2018, with an option for extension.

In January 2018, the Company, through its wholly-owned subsidiary, Sharpay Enterprises Pty Ltd., pre-empted a third party offer to buy out Farmco’s interest in the CSG Project. The pre-empt offer was on similar terms to the third party offer, including an initial deposit of AUD$25,000 to Farmco along with execution of a purchase and sale agreement (“PSA”) by the end of February 2018. Upon execution of the PSA and satisfaction of certain conditions, the Company will pay Farmco AUD$125,000 and grant an overriding royalty interest to Farmco of 0.875%. The Company will pay Farmco AUD$200,000 within 60 days of execution of the PSA and an additional AUD$200,000 within 135 days of execution. Once executed, the Company will have secured 100% of the working interests in the project.

In early 2018, the Republic of Botswana re-issued the prospecting licenses covering the CSG Project. Concurrently, the tenements were released from Rhino and granted to Sharpay. The renewed licenses expire in 2025.

Rhino has recorded approximately $112,000 of license acquisition costs and other related costs as exploration and evaluation assets at 31 December 2017, including the initial deposit required to execute the pre-empt offer of AUD$25,000.

Office lease

The Company entered into a rental agreement in February 2018 for office premises to 31 May 2021 for a total commitment of $96,160.