



STRATA-X ENERGY

Quarterly Activities Report

For Quarter Ended
31 March 2018

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 – 8th 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 8th 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
1620 Market St. #3W
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

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

- **SXE Completes pre-emption transaction, gains 100% control of the Serowe CSG Project.**
- **Serowe CSG Project leasehold term extended to the end of 2025.**
- **Ecosurv preparing an Environmental Management Plan allowing active 2018 appraisal programme.**
- **1,646 KM2 area totaling 406,735 acres added to Strata-X's Serowe CSG portfolio.**
- **MHA Petroleum Consultants have calculated a Prospective Resources of 3.3 TCF (Trillion Cubic Feet) net to Strata-X over the Serowe CSG Prospect. ⁽¹⁾**
- **Represents a 240%, 1.9 TCF, increase in Prospective Resource over the Serowe CSG Project. ⁽¹⁾**

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 CSG Project – Republic of Botswana

- **Active 2018 exploration programme planned.**
- **SXE Completes pre-emption transaction, gains 100% control of the Serowe CSG Project.**
- **Serowe CSG Project leasehold term extended to the end of 2025.**
- **Ecosurv preparing an Environmental Management Plan allowing active 2018 appraisal programme.**
- **1,646 KM2 area totaling 406,735 acres added to Strata-X's Botswana CSG portfolio.**
- **MHA Petroleum Consultants have calculated a Prospective Resources of 3.3 TCF (Trillion Cubic Feet) net to Strata-X over the Serowe CSG Prospect. ⁽¹⁾**
- **Represents a 240%, 1.9 TCF, increase in Prospective Resource over the Serowe CSG Project.**

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 CSG Project located on the Kalahari Basin CSG Fairway in Botswana, Africa. The Serowe project is located in the Kalahari Basin CSG fairway, and offsets tenements of ASX peer TLOU (ASX:TOU). As announced on 2 January 2018, the Company has pre-empted a third party offer to buy out MPE's 25% interest in those licenses totaling 273,000 acres with a 1.4Tcf Prospective Resource⁽¹⁾ and on March 6, 2018 the preempt transaction was closed.

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.

In March 2018, the Company acquired two new Prospecting Licenses for its Serowe CSG Project covering 406,735 acres. The new acreage lies adjacent to the Company's existing prospecting Licenses and to a bitumen highway between Serowe, the regional capital, and Orapa, the site of the world's largest diamond mine and a dual fuel (gas/diesel) electricity generation facility currently using 100% diesel which can be substituted with the Company's gas reserves when established.

The new lands cover 406,735 acres (1,646 KM²) bringing the total Serowe CSG area to 680,000 acres. With the addition of the offsetting prospecting licenses acquired in March 2018, the company increased the Prospective Gas Resources in the Serowe CSG Project, located within the Botswana CSG fairway, to 3.3 TCF.

The Company has initiated environmental surveys to complete an Environmental Management Plan ("EMP") for its 2018-2019 drilling and testing programme. The Company has selected EcoSurv Environmental Consultants of Gaborone, Botswana to complete the EMP. EcoSurv has extensive experience in environmental management surveys and plans in Botswana in both the energy and mining arenas. EcoSurv has completed other CSG plans which should serve the Company's efforts well and provide a timely report for approval by the Government. Upon concluding the EMP, the Company will move forward with an active drilling and testing programme. The appraisal program is designed to prove commercial completion methods and convert resources to reserves. To achieve this, the Company plans to apply the latest completion and production methods designed to yield commercial gas flow rates. With 100% ownership in the project, the Company now has the option to consider seeking alternative funding.

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, a qualified reserves auditor, dated and effective 26 March 2018 following their audit in accordance with the COGE Handbook 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. Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development project. Prospective Resources have both an associated chance of discovery and a chance of development. 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 royalty and are shown at a 100% working interest in the Project. 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. There is no certainty that any portion of the resources will be discovered, if discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.*

Company Outlook

An active 2018 exploration programme is planned for the Serowe Gas Project, where the Company recently acquired 100% of the project and almost tripled its acreage position in the Kalahari Basin. The 680,000 acre 3.34 Tcf Prospective Resource net to Strata-X lies in the heart of the Kalahari CSG Fairway, and directly offsets projects approved for commercial CSG development. 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 2018, the Company invested ~USD\$2,000 in the Illinois Basin Oil Project, principally on project maintenance and ~USD\$168,000 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 2016 which is available for review at www.strata-x.com

Tenements

| Project | Location | % Interest | Net Acres |
|---------------------------|-----------------|------------|----------------|
| Serowe CSG ⁽¹⁾ | R. Botswana | 100% | 680,000 |
| Illinois Oil | Illinois, USA | 100% | 2,401 |
| Eagle | California, USA | 23.9% | 770 |
| Total | | | 682,237 |
| | | | |

During the quarter ended 31 March 2018, 7,850 net acres were dropped from the Illinois Oil Project. In the second half of 2018, the Company expects further lease reductions of approximately 934 net acres on the Illinois Oil Project.

Production Summary

For the three months ended 31 March 2018, oil production to the Company's net revenue interest was down 47% to 330 barrels (bbls) compared to 626 bbls for the three months ended 31 March 2017. 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 March 2018 and 31 March 2017, no natural gas was sold.

Total revenue for the three months ended 31 March 2018 was \$15,394 compared to \$36,241 for the three months ended 31 March 2017, an decrease of 57%. This increase is attributable to higher production volumes and an increase in the weighted average price of crude oil. The average daily production for the Company during the three months ended 31 March 2018 was 3.6 bbls. of oil at an average realized sale price of \$57.92 per barrel of oil. Royalties per barrel of oil averaged \$9.78 (16.9%), with production operating expenses for the period of \$25.84 per barrel of oil. The netback received by the Company per barrel of oil sold during the three months ended 31 March 2018 was \$32.07.

Corporate Financial and Other Information

Financial Position

Strata-X Energy Ltd's cash position at the end of the quarter was USD\$287,000.

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 31 March 2018, Strata-X had 89,825,208 shares outstanding, including 62,636,136 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.