



STRATA-X ENERGY

Quarterly Activities Report

For Quarter Ended
30 June 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

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Calgary, Alberta, Canada T2P 3S8
Tel: +1-403-267-6800

Australia

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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

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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

- Secured commitments for A\$1.355 million private placement at A\$0.05 per CDI following a 5 for 3 share Consolidation.
- Company submitted its Environmental Management Plan allowing Strata-X to drill and production test up to 20 wells - Approval expected in Q4 2018.
- Strata-X internal interpretation and mapping integrating public data has high-graded an area within the Serowe CSG fairway in central Botswana.
- Attributes of the high graded area are similar to the Walloon CSG play in Queensland, Australia.
- 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⁾

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

- Serowe CSG Project is a 100% owned 680,000 acre coal seam gas project in Botswana.
- Active second half 2018 exploration programme planned.
- Located in the heart of the Kalahari CSG Fairway.
- Environmental Management Plan submitted for approval that will allow Strata-X to drill and production test up to 20 wells, approval expected in Q4 2018.
- Strata-X has substantial land holdings within the internally mapped high-grade area.
- 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⁾
- Ample tenement term to establish production, tenement active into 2025.

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 pre-empted a third party offer to buy a 25% interest in those licenses totaling 273,000 acres with a 1.4Tcf Prospective Resource⁽¹⁾ and on March 6, 2018 the pre-empt transaction was closed. As of the issuance of this report, all payments related to the buy out have been made.

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. In March 2018, the Company acquired two new Prospecting Licenses for its Serowe CSG Project covering 406,735 acres. In total, the Company holds approximately 680,000 acres in the 100% owned Serowe Gas Project. 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.

Strata-X currently holds the tenements through its Republic of Botswana subsidiary, Sharpay Enterprises Pty Ltd. and Jab Right Pty Ltd.

The Company initiated environmental surveys to complete an Environmental Management Plan ("EMP") for its 2018-2019 drilling and testing programme in February 2018 with the selection of EcoSurv Environmental Consultants of Gaborone, Botswana. EcoSurv has extensive experience in environmental management surveys and plans in Botswana in both the energy and mining arenas. In June 2018, Strata-X submitted the final EMP report, and it is expected that a final approval will be granted in the fourth quarter of 2018. 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 approval of 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 in a high-graded area within the CSG fairway that the Company has interpreted. Within the high-graded area, some previously drilled wells flowed or bubbled free gas from the target coal reservoir. This can only occur with 100% gas saturations. The target coal seam within the sweet spot ranges from 8 to over 12 metres in thickness.

To further compliment the high-graded area appraisal, the Company plans to apply the latest completion and production methods designed to yield commercial gas flow rates. The Company has access to the resources of Wellpro Services, a private Queensland based service company that are experts in CSG well completions and production methods. Wellpro has proprietary methods and equipment designed to minimize the time to commercial gas flows rates which the Company intends to apply to the target coal seam within the high graded area. The Company also intends to use the services of QTEQ, a service company that has recently developed specialized wireline logging, to help fast track reserve certification.

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 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 retains a 100% interest in 680,000 acres in the heart of the Kalahari Basin. The 3.34 Tcf Prospective Resource tenement position, directly offsets projects approved for commercial CSG development. The Serowe Gas Project will be the growth driver for the Company in 2018 and beyond as it executes on a staged exploration plan to delineate and prove the CSG resource. The initial focus of the Company's 2018 appraisal programme will be to production test direct offset areas within the Company identified high-grade area, where ASX listed peers have converted more than 3 TCF of prospective resources into contingent resources.

During the appraisal 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.* 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 30 June 2018, the Company invested ~USD\$4,000 in the Illinois Basin Oil Project, principally on project maintenance and ~USD\$194,535 into the Serowe CSG Project mainly on buy out payments and expenses related to completing the EMP.

*Information originally appears in the Company's NI 51-101 Report for FYE 2017 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%	1,400
Eagle	California, USA	23.9%	770
Total			682,170

During the quarter ended 30 June 2018, 934 net acres were dropped from the Illinois Oil Project. No further reductions of Strata-X tenement holdings are expected in calendar year 2018.

Production Summary

For the three months ended 30 June 2018, oil production to the Company's net revenue interest was down 532% to 67 barrels (bbls) compared to 424 bbls for the three months ended 30 June 2017. The decrease in oil production is attributable to the Burkett 5-34HOR's being offline. For each of the three month periods ended 30 June 2018 and 30 June 2018, no natural gas was sold.

Total revenue for the three months ended 30 June 2018 was \$4,480 compared to \$26,996 for the three months ended 30 June 2017, a decrease of 502%. The average daily production for the Company during the three months ended 30 June 2017 was less than one barrel of oil per day at an average realized sale price of \$66.14 per barrel of oil. Royalties per barrel of oil averaged \$9.90 (~15%), with production operating expenses for the period of \$316 per barrel of oil. The netback received by the Company per barrel of oil sold during the three months ended 30 June 2018 was (\$259). The high lease operating cost per barrel of oil, is attributable to expenditures made on non-producing assets.

Corporate Financial and Other Information

Financial Position

Strata-X Energy Ltd's cash position at the end of the quarter was USD\$296,000.

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

After the reporting period, the Company arranged an A\$1.355 million equity raise ("Financing") in conjunction with a 5 for 3 consolidation of its outstanding capital. The raise is a non-brokered Private Placement of 27.1 million CDIs or common shares at a price of A\$0.05 on a post Consolidation basis. The Financing is will close in two tranches. The first tranche of A\$545,000 closed on 16 July 2018 (using the Company's existing placement capacity under the ASX Listing Rules. The second tranche of A\$810,000 is subject to receipt of shareholder approval at the Company's Extraordinary General Meeting ("EGM") to be held on 21 August 2018. This tranche is expected to close within three days of the EGM. Mr Ron Prefontaine, a director of the Company, has subscribed for A\$200,000 of the Financing, subject to shareholder approval at the EGM. This amount is included in the second tranche of A\$810,000.

Share Data

As of 30 June 2018, Strata-X had 89,825,208 shares outstanding, including 59,398,729 CDIs (pre consolidation).

At the date of this report, Strata-X had 65,004,984 shares outstanding, including 46,604,689 CDIs (post consolidation and post the first tranche of the Financing).

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.