STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Financial Statements
For the Three Months Ended 30 September 2018
(Expressed in U.S. Dollars)

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Statement of Financial Position
30 September 2018
(Expressed in U.S. Dollars)

	30 September 2018	30 June 2018
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 636,824	$ 296,306
Accounts receivable	20,239	17,828
Prepaids and other	18,833	18,833
Total current assets	675,896	332,967
Other assets	215,347	215,347
Exploration and evaluation assets (Note 5)	620,802	620,802
Property and equipment (Note 6)	11,071,694	11,080,359
Total assets	$ 12,583,740	$ 12,249,475
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 97,025	$ 273,220
Note payable, related party	99,619	148,091
Amounts due to related parties	-	8,500
Total current liabilities	196,644	429,811
Accrued liabilities	63,048	63,048
Decommissioning provisions	513,526	510,526
Total liabilities	773,218	1,003,385
SHAREHOLDERS' EQUITY:		
Share capital (Note 8)	37,881,505	36,955,438
Prepaid share capital reserve	-	208,809
Share based compensation reserve (Note 8)	1,571,247	1,564,524
Warrant reserve (Note 8)	1,102,488	1,102,488
Contributed surplus	22,066,879	22,066,879
Accumulated other comprehensive income (loss)	(811,788)	(823,411)
Deficit	(49,999,809)	(49,828,637)
Total shareholders' equity	11,810,522	11,246,090
Total liabilities and shareholders' equity	$ 12,583,740	$ 12,249,475

Going Concern (Note 1)
Commitments (Notes 1 and 14)

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 Months Ended 30 September 2018 and 30 September 2017
(Expressed in U.S. Dollars)

	Three months ended 30 September	
	2018	2017
Oil and gas revenue, net of royalties	$ 12,180	$ 7,716
Expenses		
Production and operating	7,029	10,219
General and administrative	165,841	138,407
Depletion, depreciation and amortization (Note 6)	8,951	5,243
Total expenses	181,821	153,869
Net operating loss	(169,641)	(146,153)
Net finance income (expense) (Note 10(c))	(1,532)	(1,636)
Loss for the period	(171,172)	(147,789)
Other comprehensive income (loss)		
Exchange differences in translating foreign operations	11,623	2,831
Other comprehensive income for the period	11,623	2,831
Comprehensive loss	$ (159,549)	$ (144,958)
Loss per common share, basic and dilluted (Note 9)	$ (0.00)	$ (0.00)

See accompanying notes

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
For the Three Months Ended 30 September 2018 and 30 September 2017
(Expressed in U.S. Dollars)

	Share Capital	Prepaid Share Capital Reserve	Share based Compensation Reserve	Warrants Reserve	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, 1 July 2018	$ 36,955,438	$ 208,809	$ 1,564,524	$ 1,102,488	$ 22,066,879	$ (823,411)	$ (49,828,637)	$ 11,037,281
Private placement, 16 July 2018 (Note 8)	392,165	(208,809)	-	-	-	-	-	392,165
Private placement, 4 September 2018 (Note 8)	580,613	-	-	-	-	-	-	580,613
Share issuance costs (Note 8)	(46,711)	-	-	-	-	-	-	(46,711)
Share-based compensation (Note 8)	-	-	6,723	-	-	-	-	6,723
Net loss and comprehensive income	-	-	-	-	-	11,623	(171,172)	(159,549)
Balance, 30 September 2018	$ 37,881,505	$ -	$ 1,571,247	$ 1,102,488	$ 22,066,879	$ (811,788)	$ (49,999,809)	$ 11,810,522

	Share Capital	Prepaid Share Capital Reserve	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	-	-	5,321	-	-	-	-	5,321
Net loss and comprehensive income	-	-	-	-	-	2,831	(147,789)	(144,958)
Balance, 30 September 2017	$ 36,955,438	$ -	$ 1,537,229	$ 1,102,488	$ 22,066,879	$ (818,998)	$ (48,314,578)	$ 12,528,458

See accompanying notes

STRATA-X ENERGY LTD.
(Unaudited)
Interim Condensed Consolidated Statement of Cash Flows
For the Three Months Ended 30 September 2018
(Expressed in U.S. Dollars)

	Three months ended 30 September	
	2018	2017
Cash and cash equivalents provided by (used in):		
Operating activities:		
Net loss for the period	$ (171,172)	$ (147,789)
Adjustments for:		
Depletion, depreciation and amortization	8,951	5,243
Accretion expense	3,000	2,000
Share-based compensation	6,723	5,321
Operating cash flows before changes in non-cash working capital	(152,498)	(135,225)
Changes in non-cash working capital (Note 10(a))	(39,014)	(90,638)
Net cash used in operating activities:	(191,512)	(225,863)
Investing activities:		
Exploration and evaluation assets expenditures	-	(4,097)
Property and equipment expenditures	(288)	-
Changes in non-cash working capital (Note 10(a))	(148,091)	-
Net cash used in investing activities:	(148,379)	(4,097)
Financing activities:		
Proceeds from issuance of common stock	763,970	-
Payment of share issuance costs	(46,711)	-
Repayment of note payable, related party	(48,472)	-
Net cash from financing activities:	668,787	-
Increase (decrease) in cash and cash equivalents	328,896	(229,960)
Cash and cash equivalents, beginning of period	296,306	975,442
Effect of exchange rate translation	11,622	(2,195)
Cash and cash equivalents, end of period	$ 636,824	$ 743,287

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 16 July 2018, a 5 for 3 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 $171,172 for the three months ended 30 September 2018 (year ended 30 June 2018 - $1,661,848) and has an accumulated deficit of $49,999,809 as of 30 September 2018 (30 June 2018 - $49,828,637). In addition, the Company incurred negative operating cash flows before changes in non-cash working capital of $152,498 for the three month period ended 30 September 2018 (year ended 30 June 2018 - $572,084).

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 5). 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, at which time the Company secured 100% of the working interests in the project. 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 2020, with two 2-year options for renewal, 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. In July and September 2018, the Company completed a private placement for gross proceeds of CDN$1,355,000 (USD$1,003,000). 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 5).

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 2018.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of 29 October 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 ("SXE") was formed as a wholly-owned subsidiary of Strata-X, Inc. In December 2017 Sharpay Enterprises Proprietary Limited ("Sharpay") and Jab Right Proprietary 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.

At 30 September 2018, SXE, Rhino and Jab Right are currently inactive. Sharpay currently holds the tenements for the CSG Project (Note 6).

(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 2018.

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 2018 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 2018 annual financial statements. However, it 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 2018. Segmented information in USD by geographic location is as follows:

As at and for the three months ended 30 September 2018:

	Canada	United States	Australia	Botswana	Total
Revenues	$ -	$ 12,180	$ -	$ -	$ 12,180
Income (Loss)	$ (68,099)	$ (103,073)	$ -	$ -	$ (171,172)
Non-current Assets	$ -	$ 11,289,529	$ -	$ 618,315	$ 11,907,844
Total Assets	$ 17,852	$ 11,524,998	$ 422,575	$ 618,315	$ 12,583,740
Total Liabilities	$ 15,909	$ 619,607	$ 137,703	$ -	$ 773,219

(Expressed in U.S. Dollars)

4. **Segment Reporting**

As at and for the three months ended 30 September 2017:

	Canada	United States	Australia	Botswana	Total
Revenues	$ -	$ 7,716	$ -	$ -	$ 7,716
Income (Loss)	$ (42,220)	$ (105,569)	$ -	$ -	$ (147,789)
Non-current Assets	$ -	$ 12,339,142	$ -	$ 68,775	$ 12,407,917
Total Assets	$ 7,071	$ 12,903,415	$ 238,577	$ 68,775	$ 13,217,838
Total Liabilities	$ 26,061	$ 623,391	$ 39,917	$ -	$ 689,369

5. **Exploration and Evaluation Assets**

	30 September 2018	30 June 2018
Balance, beginning of period	**$ 620,802**	$ 64,678
Additions	**-**	556,124
Balance, end of period	**$ 620,802**	**$ 620,802**

As at 30 June 2018, 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.

In December 2016, the Company 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 in 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 pre-empted a third party offer to buy out Farmco’s remaining 25% interest in the CSG Project. The pre-emption 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”) that required a payment to Farmco of AUD$125,000 and the granting of an overriding royalty interest to Farmco of 0.875%. The Company paid Farmco AUD$200,000 in May 2018 and an additional AUD$200,000 in July 2018 per the terms of the PSA. With this transaction, the Company has 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. They now extend to 2020 with two 2-year options for renewal thereafter.

(Expressed in U.S. Dollars)

5. **Exploration and Evaluation Assets (continued)**

As part of the license renewal, the Company has committed to certain yearly milestones with respect to exploratory activity as well as proposed minimum expenditures as follows:

Year ending December 31,		
2018	$	135,000
2019	$	250,000
2020	$	385,000

The Company has recorded approximately $621,000 of license acquisition costs and other related costs as exploration and evaluation assets at 30 September 2018, including the initial deposit and additional payments required per the above PSA totaling AUD$550,000.

The Company has not capitalized any general and administrative expenses or interest in the three months ended 30 September 2018 or the year ended 30 June 2018.

(Expressed in U.S. Dollars)

6. Property and Equipment

Cost

	Balance at 30 June 2017	Additions	Change in Decommissioning Provision	Balance at 30 June 2018	Additions	Balance at 30 September 2018
Oil and gas properties	$ 13,043,432	$ 22,375	$ -	$ 13,065,807	$ 287	$ 13,066,094
Computer equipment and software	19,032	-	-	19,032	-	19,032
	$ 13,062,464	$ 22,375	$ -	$ 13,084,839	$ 287	$ 13,085,126

Accumulated Depletion, Depreciation, Amortization and Impairment

	Balance at 30 June 2017	Additions	Balance at 30 June 2018	Additions	Balance at 30 September 2018
Oil and gas properties	$ 954,359	$ 1,032,281	$ 1,986,640	$ 8,640	$ 1,995,280
Computer equipment and software	15,982	1,858	17,840	312	18,152
	$ 970,341	$ 1,034,139	$ 2,004,480	$ 8,952	$ 2,013,432

Net Book Value

	Balance at 30 June 2018	Balance at 30 September 2018
Oil and gas properties	$ 11,079,167	$ 11,070,814
Computer equipment and software	1,192	880
	$ 11,080,359	$ 11,071,694

Impairment

The Company assesses many factors when determining if an impairment test should be performed. At 30 September 2018 the Company determined that no impairment indicators or reversal of impairment indicators existed for the Company's CGUs. Accordingly, no impairment tests were performed.

(Expressed in U.S. Dollars)

7. **Note Payable, Related Party**

The Company entered into a note agreement for proceeds of AUD$200,000. The lender is an entity that is owned by the chairman of the Board of Directors of the Company. The note bears interest at 7.5% per annum, is unsecured, and can be repaid at any time with no penalty but is due on 31 December 2018. At 30 September 2018, interest amounts accrued of $2,000 are included in accounts payable and accrued liabilities.

8. **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 2017 and 30 June 2018	53,895,125	$	36,955,438
Private placement, 16 July 2018	11,110,000		392,165
Private placement, 4 September 2018	16,200,000		580,613
Share issuance costs	-		(46,711)
Balance at 30 September 2018	81,205,125	$	37,881,505

Prepaid Share Capital Reserve

As at 30 June 2018, the Company had received proceeds of CDN$300,000 (US$222,137) and incurred share issuance costs of CDN$18,000 (US$13,328) in relation to the issuance of 6,000,000 Chess Depository Interest ("CDI"), or common shares. The CDI, or common shares, were issued in July 2018 and as a result the amounts have been presented as a prepaid share capital reserve in the statement of financial position as of 30 June 2018.

Share Consolidation

Effective 16 July 2018, the shareholders of the Company approved a 5 for 3 share consolidation. The exercise price of outstanding stock options and warrants was proportionately adjusted based upon the consolidation ratio. All share, option, warrant and per share amounts disclosed in these financial statements have been adjusted retroactively for the consolidation.

(Expressed in U.S. Dollars)

8. **Share Capital (continued)**

Common Stock Offering

On 16 July 2018, the Company completed a private placement of 10,900,000 CDI or common shares as the first tranche of an overall capital raise. The second tranche closed on 4 September 2018 with the placement of an additional 16,200,000 CDI, or common shares. Gross proceeds of $1,003,000 were realized from the placements, and placement costs of $61,000 were incurred in addition to the 210,000 common shares issued to the broker as finder fees.

Finder warrants

Activity related to the number of warrants outstanding and exercisable for the Company for the three months ended 30 September 2018 and the year ended 30 June 2018 is as follows:

	30 September 2018			30 June 2018		
	Number	Weighted Average Exercise Price	Currency	Number	Weighted Average Exercise Price	Currency
Balance, beginning of period	2,328,750	$ 0.12	AUD	2,328,750	$ 0.12	AUD
Expiration of warrants	-	-		-	-	
Balance, end of period	2,328,750	$ 0.12	AUD	2,328,750	$ 0.12	AUD

The following table summarizes information on warrants outstanding at 30 September 2018:

Exercise Price	Currency	Number Outstanding	Weighted Average Contractual Life (years)
$ 0.12	AUD	2,328,750	1.28

8. **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.

	30 September 2018		30 June 2018	
	Number of Options	Weighted Average Exercise Price (CAN)	Number of Options	Weighted Average Exercise Price (CAN)
Outstanding, beginning of period	5,040,000	$ 0.58	2,964,000	$ 0.98
Granted	-	-	2,280,000	0.08
Expired	-	-	(204,000)	0.90
Outstanding, end of period	5,040,000	$ 0.58	5,040,000	$ 0.58
Exercisable, end of period	3,330,000	$ 0.84	3,330,000	$ 0.84

The Company granted 2,280,000 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)

8. **Share Capital (continued)**

Stock Option Plan (continued)

The following table summarizes information on stock options outstanding and exercisable at 30 September 2018:

Exercise Price	Currency	Number Outstanding	Number Exercisable	Weighted Average Contractual Life (years)
$ 1.50	CDN	760,000	760,000	2.38
$ 1.70	CDN	170,000	170,000	3.98
$ 2.05	CDN	150,000	150,000	0.06
$ 0.60	AUD	1,680,000	1,680,000	2.01
$ 0.08	CDN	2,280,000	570,000	4.22
		5,040,000	3,330,000	

During the three months ended 30 September 2018, the Company expensed the fair value recognized for stock options of $6,723 (30 September 2017 - $5,321) 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:

	30 June 2018	
Exercise price	$0.08 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)

9. **Loss per Common Share**

The basic loss per common share is based on the weighted average number of common shares outstanding for the three months ended 30 September 2018 of 67,651,212 (2017 – 53,895,125). 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.

10. **Supplemental Cash Flow Information**

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

	Three months ended 30 September	
	2018	2017
Accounts receivable	$ (2,411)	$ 5,265
Accounts payable and accrued liabilities	(176,194)	(43,378)
Amounts due to related parties	(8,500)	(67,057)
Deposits	-	14,532
	$ (187,105)	$ (90,638)
Operating activities	$ (39,014)	$ (90,638)
Investing activities	(148,091)	-
Financing activities	-	-
	$ (187,105)	$ (90,638)

(b) Cash and cash equivalents comprise:

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	30 September 2018	30 June 2018
Balances with banks in current accounts	$ 440,797	$ 270,268
Money market savings account	196,027	26,038
	$ 636,824	$ 296,306

(c) Net finance expense for the three months ended 30 September 2018 includes $3,000 in accretion expense (2017 - $2,000) net of finance income of $1,468 (2017 - $364).

11. **Related Party Transactions**

The Company had the following related party transactions, other than those transactions disclosed elsewhere in the financial statements.

During the three months ended 30 September 2018, the Company utilized 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 $3,700. During the three months ended 30 September 2018, the Company incurred approximately $11,000 (2017 - $12,200) in costs payable to the outside firm for accounting services and is included in general and administrative expenses. At 30 September 2018, amounts owing and included in due to related parties is $Nil (2017 - $Nil). Effective 21 August 2018, the board member resigned from the board of directors of the Company.

12. **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 three month period ended 30 September 2018.

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 30 September 2018, the Company had a positive working capital of $479,251 (30 September 2017 - $698,740). 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 other than advancing the CSG Project (Note 5), 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. As discussed in Note 8, the Company was successful in completing a private placement generating $942,000 after placement costs. These funds will be used to reduce the working capital deficiency as well as support ongoing operational and general and administrative obligations and continue the development of the CSG Project. 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.

(Expressed in U.S. Dollars)

12. **Financial Instruments (continued)**

Liquidity risk (continued)

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	$ 97,025	$ -
Note payable, related party	99,619	-
Accrued liabilities	-	63,048
	$ 196,644	$ 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 14.

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 by keeping the majority of its cash and cash equivalents with major chartered banks. The Company performs continuous evaluation of its accounts receivable 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 $872,410 at 30 September 2018 (30 June 2018 - $529,481). 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.

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 change to the Company's exposure to market risks since 30 June 2018.

(Expressed in U.S. Dollars)

13. **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.

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities.

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 other than as disclosed in Note 5.

Total capital managed is as follows:

	30 September 2018	30 June 2018
Shareholders' equity	**$ 11,810,522**	**$ 11,246,090**

Total capital managed increased for the three months ended 30 September 2018 due to the net proceeds from the private placement offerings offset by the overall use of cash in operating activities.

14. **Commitments**

<u>Office lease</u>

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