



# STRATA-X ENERGY

**QUARTERLY ACTIVITIES REPORT**  
*Quarterly Ending 31 March 2013*

Traded on the Australian Securities Exchange (ASX)  
under the symbol "SXA" and on the Toronto Stock  
Exchange - Ventures (TSX.V) under the symbol "SXE"

STRATA-X ENERGY LIMITED  
(INCORPORATED IN BRITISH COLUMBIA, CANADA #C0952496  
FORMERLY KNOWN AS STRATA-X LTD. AND OZCAPITAL  
VENTURES INC.)

ARBN - 160 885 343

## STRATA-X HIGHLIGHTS DURING THE QUARTER

The Directors of Strata-X Energy Limited present their Activities Report on the consolidated entity consisting of Strata-X Energy Limited (a Canadian entity) and the entities it controls, Strata-X, Inc. (United States of America entity) and Strata-X Australia Pty Ltd (Australian entity) (collectively “Company” or “Strata-X”) for the Third Quarter 2013 ending 31 March 2013.

### Corporate

On 11 March 2013 Company began trading on the Australian Securities Exchange under the ticker symbol “SXA” after raising AUD\$12,690,987 by issuing 42,303,293 CHESS depository interests (CDIs), at a price of AUD\$0.30 per CDI. Each CDI is equivalent to and exchangeable for one common share in the capital of Strata-X.

### Operations

Strata-X operates and has the majority interests in four key projects in the USA and Australia. Following the recent capital raising, the Company is working towards de-risking its three key USA projects during 2013 with the objective of generating early cash flows and achieving FID to develop the projects.

#### **Vail Oil Project – Illinois Basin, USA: 100% of 46,300 net acres**

Purchase of historical production wells and leases which provide increased well control in the area in which the Company intends to drill and test its first horizontal well.

Purchase of 22.23 miles of 2D seismic data around the Company’s proposed initial horizontal to assist in the geo-steering of the horizontal leg of the well.

Execution of a drilling contract with Les Wilson Inc for the drilling of the horizontal appraisal well in the Vail Oil Project.

#### **Sleeping Giant Project – Williston Basin, North Dakota, USA: 100% of 175,000 net acres.**

Final option payment of USD\$200,000 in cash and 516,440 shares in Strata-X.

Commenced geological work to firm drilling locations prior to seeking regulatory approval for up to four vertical stimulated pilot wells.

#### **Maverick Oil Project – Eagle Ford shale, Texas, USA: ~100% of 10, 945 net acres**

Commenced geological work to determine the location of a vertical multistage stimulated well.

### **Production**

304 barrels of oil net produced during reporting period ending 31 March 2013.

## OUTLOOK

During the past year, the Company has been building a portfolio of projects that offer relatively low geologic risk and the potential for significant oil and gas reserves. The Company also targeted large working interests and operatorship, thereby giving it control of the activities in those projects with the aim to maximize shareholder value. This approach allows the Company to dictate which targets it will pursue, using the technology it considers best suited for the purpose, and according to a schedule that reflects the availability of critical resources on economic terms.

Strata-X has four key projects that align with this strategy: Sleeping Giant, Canning Basin, Vail Oil, and the Maverick Oil projects. The Company has a 100% interest in the Sleeping Giant Project, Canning Project and the Vail Oil Project and has a 75%-100% interest in the Maverick Oil Project. All of these projects are operated by the Company and have rights to substantial potential petroleum reserves. Management considers the Company's asset base to be unique for an entity of its size. Comparable entities typically have only one or two projects that are scalable and possess significant reserves potential. Strata-X, by comparison, has access to four projects of this magnitude.

For the remainder of fiscal 2013, the Company's primary focus will be to conduct the appraisal work necessary to demonstrate commercial production towards FID to develop its three key USA projects: Sleeping Giant Gas Project, the Vail Oil Project and the Maverick Oil Project. The Company anticipates commencing its appraisal drilling campaign on the Vail Oil Project in the second calendar quarter of 2013 followed by drilling on the Maverick Oil and Sleeping Giant Projects in the third quarter.

In the Canning Basin project, the Company will be seeking to finalize access agreements with Native Title claimants as a requirement to have the tenement granted. Drilling is not planned until 2014.

The Company is reviewing its other projects, in which it has 22.5% to 37.5% working interests, in order to determine going-forward activities that meet the Company's growth plans. No decision has been made on drilling or continuing with any of these projects at this time. Any drilling on these projects will depend on the Company's ability to target oil reserves that, in the Company's assessment, offer a combination of acceptable risk and sufficiently high potential reward to more than offset such risk.

In summary, the Company is preparing for the drilling and testing of its key USA projects:

- Q2 2013 – Vail Oil Project, one horizontal multistage stimulated well.
- Q3 2013 – Maverick Oil Project, one vertical multistage stimulated well.
- Q3 2013 – Sleeping Giant Gas Project, up to four vertical stimulated wells.

# PROJECTS OVERVIEW

## Exploration and Evaluation Projects (E&E)

### **Maverick Oil Project, Eagle Ford Shale, Texas USA: 75% to 100% of 10,945 Acres**

To date, the Company has acquired 10,945 mostly contiguous acres net for the Maverick Oil Project.

The Maverick Oil Project is situated in the Eagle Ford shale fairway in southern Texas and covers a gross area of 21,000 acres. The Company's exploration efforts will target light shale oil and associated gas and condensate. Within the Maverick Oil Project area is a well drilled by the previous operator, called El Indio-1H. The operator reported flows of 175 barrels of oil and 1.8 MMCF (million cubic feet) of gas per day over a 12 day test period despite a less than adequate fracture stimulation and testing program by the previous operator.

Since acquiring the Maverick Oil Project, a successful shale oil well called Sanchez Mark and Sandra-2H (not owned by the Company) was drilled nearby which initially flowed 896 bbls of oil per day. More recently, Newfield Energy drilled a well nearby which reported initial flow rates of 1,130 BOED.

The Company is working towards selecting a location and seeking approvals for the first vertical multistage stimulated well in the Maverick Oil Project. The location will be finalized following an in-house interpretation of previously acquired three-dimensional (3D) seismic data in the project area.

### **Vail Oil Project, Illinois Basin, USA: 100% of 46,300 net acres**

Based on existing well data, the Company has mapped a potential oil accumulation that could be as large as 520 square miles. The oil accumulation is within an unconventional stratigraphic dolomitic trap immediately below the oil mature primary shale source rock in the Illinois Basin. The Illinois Basin has historical production of 4.3 billion barrels of oil and infrastructure including oil and gas pipelines with capacity.

To date, the Company has secured lease rights to approximately 46,300 net acres over the mapped oil accumulation. The secured lease rights contain favorable terms and provide an average net revenue interest to the Company of 86.25%. The Company is continuing its efforts to secure additional strategically located leases and maintains an ongoing presence in the area in preparation for project evaluation which is expected to begin in the second calendar quarter of 2013.

On 1 January 2013, Strata-X, Inc. executed and closed a Transaction to purchase three producing oil and gas leases ("Transaction") in the State of Illinois, USA which provide increased well control in the area in which the Company intends to drill and test its first horizontal well. The acquired properties cover 160 gross acres and include a total of six wells, of which four are producing, one is shut-in and one is an active salt water disposal well. Strata-X, Inc. will be the operator of the properties. During calendar Q1 2013 these properties produced a total of 304 BBL of oil net to the Company revenue interest.

Strata-X anticipates advancing the development of the Vail Oil Project through the drilling and testing of a horizontal multistage stimulated appraisal well. The Company has submitted an application to drill a horizontal well to the proper regulatory agencies in the State of Illinois with (approximately) the following parameters: a true vertical depth of 4,500ft (1,372 metres), a true measured depth of 9,300ft (2,835 metres) and a horizontal leg length of 4,300ft (1,311 metres).

The Company executed a Drilling Contract with Les Wilson Inc. during this reporting period for the drilling of the horizontal appraisal well in the Vail Oil Project and plans to utilize Les Wilson Inc.'s rig #25 for this purpose. The rig is expected to be available to commence drilling Strata-X's well in June 2013.

The Company also purchased, at a cost of approximately USD\$50,000, 22.23 miles of 2D seismic data covering the area around the Company's first horizontal test well for the Vail Project. This seismic data, which is currently being reprocessed, will assist in the geo-steering of the horizontal leg of the well and further the Company's geologic review of the area.

### **Canning Basin Laurel Shale Project, Western Australia, Australia: 100% of 1.4 million acres**

In March 2012, the Company was conditionally awarded 100% of a permit to explore approximately 1.4 million acres in the Canning Basin in northwest Australia. The Permit, L 11-3, in the rapidly emerging Laurel shale petroleum province, was won in a competitive acreage release round based on a work program. Granting of this permit is conditional upon complying with the Native Title Act of 1993. The Company has begun the negotiation process towards securing access agreements with the Native Title claimants.

The Company believes the L 11-3 onshore Canning Basin block is prospective for both conventional and unconventional petroleum resources within the Carboniferous Laurel Formation where recent discoveries have been made by Buru Energy along similar geologic trends in the basin.

### **Sleeping Giant Project, Williston Basin, North Dakota, USA: 100% of 175,000 net acres**

The Company has acquired the rights to approximately 230,000 gross acres (175,000 net acres) in the Williston Basin in North Dakota which have multiple prospective structures for natural gas. The targets are shallow gas accumulations in reservoirs at depths generally under 2,000 feet (610 metres).

On 31 March 2013, the Company made its final payment under the farm-out agreement with the Sleeping Giant principals. This payment consisted of USD \$200,000 (516,440 shares) in Company stock and USD \$200,000 in cash. The Company also secured an extension to 30 September 2014 to drill four wells under the farm-out agreement. No additional consideration was paid to the principals of the project in exchange for the extension.

Currently, the Company is acquiring additional strategic leases in advance of the 2013 drilling program. The Company expects to begin evaluation drilling of up to four pilot wells on this project in the third calendar quarter of 2013.

### **Vallecitos Oil Project, San Benito County, California, USA**

The Company has a 22.5% working interest and a 19.5% net revenue interest in approximately 21,000 gross acres of leasehold in the Vallecitos area in California including a 120 acre F&I Pool. The 120 acre F&I Pool production is currently restricted due to water disposal issues which are expected to be resolved in the second quarter of 2013.

In December 2012, the partners of the Vallecitos project were the high bidders for multiple Bureau of Land Management (BLM) leases covering 10,373 gross acres with 2,334 acres net to the Company's interest. The leases will be issued shortly.

Multiple leads and prospects have been interpreted using a 24 square mile 3D seismic survey acquired in 2009. To help high grade the leads and prospects that the Company is considering developing, the 3D seismic was recently reprocessed incorporating VSP data obtained during the drilling of a prior well on the project.

### **Eagle Project, Kings County, California, USA**

The Company now has a 23.59% working interest in 5,160 gross acres of land in the Eagle Project in the San Joaquin Valley area in California and is the operator of the project. In March 2013, the Company was given notice by a 15.0% working interest owner in the project of its intent to surrender its interest in the Eagle Project under the rights afforded to the interest owner in the Joint Operating Agreement governing the project. The surrendered interest has been pro-rata distributed amongst the remaining interest owners increasing Strata-X's interest in the project from 20.0% to 23.59%.

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 0.427 MMCF per day. Third party reserve analysis results indicate approximately 254,000 gross barrels of probable undeveloped reserves. 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. At this time, the Company does not anticipate any drilling on the project in fiscal 2013.

### **Margarita Oil Project, AMI Southern Texas, USA**

The Company has 37.5% equity in this AMI (Area of Mutual Interest) in southern Texas. Land has been acquired over a low risk oil prospect which was mapped using 3D seismic data. One partner has decided to exit the project due to other costs commitments. The Company will determine what action to take on this project in the next quarter.

## **West Florence Project, Fremont County, Colorado, USA**

The leases in the project expired during the quarter and the Company decided not to renew the leases. Prior to lease expiration, a previously drilled well in the project area was plugged and its associated facilities were removed. The site has been properly reclaimed and closed with proper authorities. Strata-X has no remaining interests or obligations on this Project.

### **USA TENTAMENT/LEASE EXPLANATION**

The ownership of in-situ hydrocarbons in the United States differs from almost all other countries in that the owners are typically private individuals or private entities. The vast majority of the exploration tenements or leases held by the Company in the USA are with private parties. Currently, the Company holds rights to over 1,800 leases in the USA. These leases differ from each other in numerous ways including the size of each parcel of land, financial terms, royalties and contract duration. Differences in expiration dates allow for a gradual release or roll-over or, if renewed, continuation, of exploration rights. The tenement or leasehold position for each project, including its relative location, reflects the position of the Company as of the date of this report. If the disposal of a Company position was material or represented a change from a prior reporting period then this aggregate change would be reflected in the total position listed by the Company.

Generally, petroleum rights in the USA are purchased from the owner as leases on negotiated terms which may include cash payments up front, royalties and rental arrangements. Competition for leases can become very heated, particularly in highly sought-after productive areas. Strata-X's goal has been and continues to be to minimize lease purchase costs while maximizing shareholder growth potential, by striving to be the first or early mover on areas or projects. To accomplish this, the Company carries out its own in-house geological mapping and analysis to high-grade areas or projects for acquisition. Further, the Company will not be making public detailed geological maps or detailed lease maps as this may attract competitors, especially much larger and better financed rivals, potentially increasing the Company's lease purchase costs and diminishing its ability to consolidate significant land positions on attractive terms.

# CORPORATE, FINANCIAL & OTHER INFORMATION

## Financial Position

Strata-X Energy Ltd's cash position at the end of the quarter was USD\$10,808,853.

## 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.

## Share Data

As of 31 March 2013, Strata-X had 123,752,453 shares outstanding, including 72,418,908 CDI's.

Notable Company share transactions for the period are as follows:

- On 11 March 2013, the Company began trading on the Australia Securities Exchange (ASX) through the issuance of 42,303,293 CHESS depository interests (CDIs) at the listing price of AUD\$0.30
- In relation to the ASX listing (Bizzell Capital Partners Limited having been the Corporate Advisors (the "Advisors") to the Offering and BBY Limited and Helmsec Global Capital Ltd. having been the joint lead managers (the "Agents") for the Offering), the following fees and commissions were paid:
  - the Agents received an aggregate commission of AUD\$761,459.27, a management fee of AUD\$126,909.88, and an aggregate of 1,265,383 brokers warrants exercisable at a price of A\$0.36 until February 20, 2016; and
  - the Advisors received a success fee of AUD\$207,040.41
- On 31 March 2013, 516,440 shares of the Company valued at CAD\$0.3966 per share were issued to the sellers of the Sleeping Giant project pursuant to the Agreement of Purchase and Sale with the Company. This issuance represented the last payment Strata-X owed the sellers under the Agreement.



## **Corporate Information**

On 14 March 2013, the Company appointed Duncan Cornish as Corporate Secretary (Australia). Mr. Cornish is an accomplished and highly regarded corporate administrator and manager. He has many years experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, the AIM Market of the London Stock Exchange and the Toronto Stock Exchange.

Strata-X repaid in full a loan from Prepet Pty Ltd ATF the Jarat Trust, a private company owned by the Company chairman, including principal of AUD\$2,000,000 and interest of AUD\$29,309.

## **Person Compiling Information**

Technical information contained herein is based on the information compiled by the Company's Chief Executive Officer and President, Tim Hoops, who has over 33 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 the information, in the form and context in which it appears.

## COMPANY DIRECTORY

### **Directors**

Mr. Ron Prefontaine – Chairman of the Board of Directors  
Mr. Tim Hoops – President and CEO  
Mr. Tim Bradley – Director and CFO  
Mr. Bohdan (Don) Romaniuk – Non Executive Director  
Mr. Don Schurman – Non Executive Director

### **Company Secretary**

Doug Walker – Canada  
Duncan Cornish – Australia

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