Strategic Oil & Gas Ltd.

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2011

Dated April 27, 2012

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ABBREVIATIONS AND CONVERSION

In this Annual Information Form, the following abbreviations have the meanings set forth below.

Oil and Natural Gas Liquids

bbl	barrel
Mbbl	thousand barrels
bbl/d	barrel per day
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British Thermal Units
Bcf	billion cubic feet

Other

AECO	a natural gas storage facility located at Suffield, Alberta
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28°API or higher is generally referred to as light crude oil.
boe	barrel of oil equivalent on the basis of 1 boe to 6 Mcf of natural gas. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead
boe/d	barrel of oil equivalent per day
M$	thousands of dollars
MM$	millions of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

Conversions

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units)

To convert from	To	Multiply by
Mcf	cubic metres	0.028
cubic metres of gas	cubic feet	35.494
bbl	cubic metres	0.159
cubic metres of oil	bbl	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

DEFINITIONS

In this Annual Information Form, the following words and phrases have the meanings set forth below, unless otherwise indicated.

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated thereunder, as amended from time to time.

"**associated gas**" means the gas cap overlying a crude oil accumulation in a reservoir.

"**Board**" means the board of directors of the Company.

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

"**Company**" or "**Strategic**" means Strategic Oil & Gas Ltd.

"**crude oil**" or "**oil**" as described in the COGE Handbook means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of natural gas.

Discovered Petroleum Initially In Place (DPIIP), as defined in the Canadian Oil and Gas Evaluation Handbook ("COGEH") means that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves and contingent resources; the remainder is unrecoverable. "Contingent Resources" are defined in COGEH as those quantities of petroleum estimated to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be economically recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. The Contingent Resources estimates and the DPIIP estimates are estimates only and the actual results may be greater or less than the estimates provided herein. There is no certainty that it will be commercially viable to produce any portion of the resources except to the extent identified as proved or probable reserves. "Best estimate" is defined in COGEH with respect to entity-level estimates, as the value derived by an evaluator using deterministic methods that best represent the expected outcome with no optimism or conservatism. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate

"**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying and acquiring well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

"**development well**" means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"**exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

"**exploratory well**" means a well that is not a development well, a service well or a stratigraphic test well.

"**field**" means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to denote localized geological features, in contrast to broader terms such as "basin", "trend", "province", "play" or "area of interest".

"**forecast prices and costs**" means future prices and costs that are:

(a) generally accepted as being a reasonable outlook of the future;

(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

"**future income tax expenses**" means future income tax expenses estimated (generally, year-by-year):

(a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;

(b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;

(c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and

(d) applying to the future pre-tax net cash flows relating to the reporting issuer's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

"**future net revenue**" means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, CBM and other non-conventional reserves) estimated using forecast prices and costs.

"**GLJ**" means GLJ Petroleum Consultants Ltd.

"**GLJ Report**" means the independent engineering evaluation of the oil and natural gas interests of the Company prepared by GLJ dated March 21, 2012 and effective December 31, 2011.

"**gross**" means:

(a) in relation to the Company's interest in production or reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company;

(b) in relation to wells, the total number of wells in which the Company has an interest; and

(c) in relation to properties, the total area of properties in which the Company has an interest.

"**natural gas**" as described in the COGE Handbook means a mixture of lighter hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs but are gaseous at atmospheric conditions. Natural gas may contain sulphur or other non-hydrocarbon compounds.

"**natural gas liquids**" or "**NGLs**" as described in the COGE Handbook means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

"**net**" means:

(a) in relation to the Company's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves;

(b) in relation to the Company's interest in wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and

(c) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

"**NI 51-101**" means National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities*.

"**non-associated gas**" means an accumulation of natural gas in a reservoir where there is no crude oil.

"**operating costs**" or "**production costs**" means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

"**production**" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

"**property**" includes:

(a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;

(b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and

(c) an agreement with a foreign government or authority under which a reporting issuer participates in the operation of properties or otherwise serves as "producer" of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer).

A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

"**property acquisition costs**" means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

(a) costs of lease bonuses and options to purchase or lease a property;

(b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee;

(c) brokers' fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

"**proved property**" means a property or part of a property to which reserves have been specifically attributed.

"**reservoir**" means a porous and permeable subsurface rock formation that contains a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is characterized by a single pressure system.

"**service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.

"**Shareholders**" means holders of Shares and "**Shareholder**" means any one of them.

"**Shares**" means the common shares in the capital of the Company.

"**solution gas**" means natural gas dissolved in crude oil.

"**stratigraphic test well**" means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (a) "exploratory type" if not drilled into a proved property; or (b) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells".

"**support equipment and facilities**" means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

"**TSX-V**" means the TSX Venture Exchange.

"**unproved property**" means a property or part of a property to which no reserves have been specifically attributed.

"**well abandonment costs**" means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite.

RESERVES DEFINITIONS

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"**Proved**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**Developed Producing**" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**Developed Non-Producing**" reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"**Undeveloped**" reserves are those reserves expected to be recovered from know accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"**Possible**" reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking information. This information relates to future events or future performance of Strategic. When used in this Annual Information Form, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties, and other factors that may cause actual results of events to differ materially from those anticipated in such forward-looking information. This information reflects Strategic's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause Strategic's actual results, performance, or achievements to vary from those described in this Annual Information Form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking information prove incorrect, actual results may differ materially from those described in this Annual Information Form as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking information in this Annual Information Form include, among others, information pertaining to the following:

- factors upon which Strategic will decide whether or not to undertake a specific course of action;
- world wide supply and demand for petroleum products;
- expectations regarding Strategic's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices and exchange rates.

With respect to forward-looking information in this Annual Information Form, Strategic has made assumptions, regarding, among other things:

- the impact of increasing competition;
- Strategic's ability to obtain additional financing on satisfactory terms;
- commodity prices and exchange rates; and
- Strategic's ability to attract and retain qualified personnel.

Strategic's actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below and elsewhere in this Annual Information Form including, without limitation, the following:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital;
- alternatives to and changing demand for petroleum products;
- changes in legislation and the regulatory environment; and
- the other factors discussed under the heading "Risk Factors".

Furthermore, information relating to "reserves" is deemed to be forward-looking information, as it involves the implied assessment, based on certain estimates and assumptions that reserves described can be recovered and profitable in the future. Statements relating to "reserves" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect Strategic's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through SEDAR at www.sedar.com. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

STRATEGIC OIL & GAS LTD.

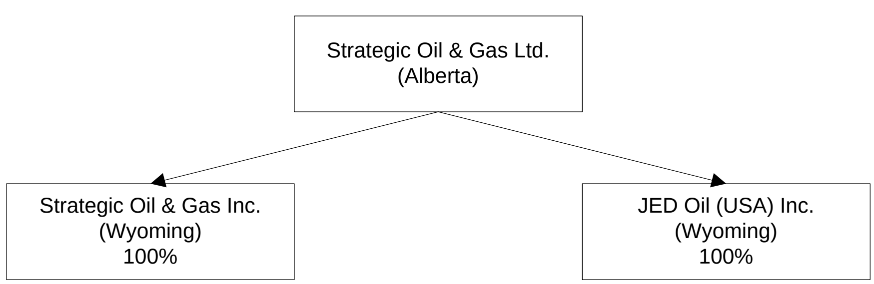
Strategic Oil & Gas Ltd. was incorporated under the laws of the Province of British Columbia on December 30, 1987 as 338761 B.C. Ltd. pursuant to the *British Columbia Companies Act*, which was subsequently replaced by the British Columbia *Business Corporations Act*. In addition, the articles of the Company have been amended as follows:

- August 25, 1988 - name changed to Xpres Infosystems Inc.;
- November 15, 1988 - name changed to Xpres Communications Inc.;
- February 11, 2000 - name changed to Stratacom Technology Inc. and share capital consolidated on a four (4) for (1) basis;
- February 22, 2005 name changed to Strategic Oil & Gas Ltd.;
- July 23, 2009 Notice of Articles filed under new *Business Corporations Act* (British Columbia);
- The Company was continued as an Alberta corporation on September 9, 2010;
- The Company amalgamated with 2 of its wholly owned subsidiaries, Steen River Oil & Gas Ltd. and ZinMac Inc., on April 1, 2012.

The Company is engaged in the exploration for and development of petroleum and natural gas reserves in Western Canada and, to a limited extent, the Western United States. On March 29, 2006, Strategic incorporated a United States of America (USA) subsidiary, Strategic Oil & Gas, Inc. through which all oil and gas activities in the USA are conducted. On March 10, 2009 the Company acquired all the shares of ZinMac Inc., a private oil and gas consulting company. On December 22, 2010, the Company acquired all the shares of a private corporation, Steen River Oil & Gas Ltd. Its primary asset was oil and gas properties in northwest Alberta. The Company's principal office is located at 1800, 510-5th Street SW, Calgary Alberta, T2P 3S2 and its registered office is located at 3700, 400-3rd Avenue SW, Calgary, Alberta, T2P 4H2.

INTERCORPORATE RELATIONSHIPS

The percentage of votes attaching to all voting securities of the subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by Strategic, as well as the jurisdiction, where each subsidiary was incorporated, continued, formed or organized, as the case may be, as at the date hereof are set forth below.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

In February 2009, Strategic entered into a farmout agreement with a major independent Canadian oil corporation in the Maxhamish region of Northeast British Columbia (the "Maxhamish Farmout Agreement"). The Maxhamish Farmout Agreement provides for the Company to access over 50,000 acres of prospective acreage in the Liard Basin, 125 km north of Fort Nelson. See "Statement Of Reserves Data And Other Oil And Gas Information - Description of Principle Properties".

On March 10, 2009, Strategic closed an arms-length acquisition of all of the issued and outstanding shares of ZinMac Inc. ("ZinMac"), a private oil and gas consulting company. ZinMac was acquired to gain access to the geological, geophysical and engineering expertise of its principal shareholders and employees. In addition, these employees have access to potential exploration and development opportunities, both domestic and international. The initial agreement announced on July 29, 2008 was allowed to lapse and was re-negotiated on similar terms at a deemed price of $0.25 per share or $1,250,000 which reflected recent market conditions. The Company issued 5,000,000 Shares to the nine shareholders of ZinMac. All shareholders are bound by an escrow agreement that allowed for the release of Shares of 10% on closing, 15% to be released six months after the date of final approval of the Exchange and then 15% increments over each additional six month time period. In addition, 100,000 warrants of ZinMac were converted, in accordance to their terms, into 370,370 warrants of Strategic, exercisable at $0.27 per Share in May 2011 all of which were exercised. Shareholders of ZinMac included current officers Gurpreet Sawhney and Sean Hayes.

In October 2009, Strategic announced a participation agreement with Legacy Oil + Gas Inc. which became a partner with Strategic in Strategic's Maxhamish Farmout Agreement.

In November 2009, the Company closed the acquisition of a 100% working interest in medium gravity oil properties in the Taber and Conrad areas of southern Alberta also from Legacy Oil + Gas Inc. The purchase price for the acquisition was $5,100,000 paid through a combination of $4,000,000 cash and 2,444,444 units at a deemed price of $0.45 per unit, with each unit consisting of one Share and one common share purchase warrant with each warrant entitling the holder to purchase an additional Share for a period of one year from closing at a price of $0.60.

In December 2009, Strategic completed a private placement by the issue of 25,733,598 common share units at $0.45 per unit. Each common share unit consisted of one Share and one common share purchase warrant entitling the holder to acquire one additional Share for a period of one year from closing for $0.60. In addition, 5,432,092 flow-through units were issued at $0.55 per flow-through unit. Each flow-through unit consists of one flow-through Share and one half of a flow through warrant, each whole flow through warrant entitling the holder to one additional Share for $0.70 for one year from closing. Total gross proceeds from the private placement were $14,567,770. The primary agent received cash commissions of 7% and broker warrants in the amount of 10% of the units and flow-through units sold, exercisable for one year from closing.

In December 2009 ATB increased the Company's available revolving operating line of credit to $5,000,000 with a lending rate of prime + 1.75%, effective December 15, 2009. The increase resulted from the Company's previously announced acquisition of producing oil properties in the Taber and Conrad areas of Southern Alberta.

Late in the first quarter of 2010, Strategic participated in two horizontal oil wells at Maxhamish which were drilled and multi-stage fracture stimulated (a-C18-J-D94-O-11 and a-49-J-D94-O-11). Both wells were placed on production and tied in to a natural gas gathering and processing facility in the second quarter. Combined deliverability from these wells was restricted by the owner of the natural gas facility. Strategic management estimates that based on an internal evaluation of the Maxhamish wells, the productivity potential is 150 to 200 barrels per day. Based on the positive results from the two wells, the Company, along with its partner, acquired an additional 19 sections at Crown land sales in the Maxhamish area in the second quarter. This was followed up in October, 2010 by entering into a purchase and sale agreement with its partner to acquire from Encana Corporation the remaining 35% working interest in Maxhamish, for a total purchase price of $13.0 million ($5.0 million net to Strategic). As a result of these transactions, the current farmout agreement with respect to the Maxhamish area has been eliminated providing Strategic with an undivided 38.5% working interest in over 100 sections of undeveloped land in the area.

In early July, 2010 at Conrad in southern Alberta, Strategic spudded a horizontal well (6-23 Hz). This well was drilled as a multi-leg horizontal well, targeting the Sawtooth formation. This well was tied in and initially produced at a rate of 30 bop/d of medium API oil.

The Company brought in a partner to allow for an accelerated drilling program at Taber. The terms of this agreement provided that the partner pay $1.6 million to drill two wells, and to earn a 25% interest in the property. In the third quarter of 2010 Strategic drilled two wells (4-24 and 11-14). These wells are currently producing a combined 30 bop/d (gross). The technical team is currently reviewing the Taber field for additional locations and a potential chemical flood. Effective October 1, 2010, the partner met the farmout commitment and has earned a 25% interest in the Taber property.

On October 7, 2010, Strategic closed a financing for 18,300,000 common shares of Strategic at a price of $0.90 per share, and 5,232,500 flow-through common shares at a price of $1.10 per share, for gross proceeds of $22,225,750. On December 23, 2010, Strategic closed a second financing for 5,175,000 flow-through common shares at a price of $1.10 per share for gross proceeds of $5,692,500.

The 36.0 million warrants issued in the 2009 private placement were exercised for proceeds of $21.5 million in the fourth quarter of 2010.

Acquisition of Steen River Oil & Gas Ltd.

On December 22, 2010, Strategic closed an arms-length acquisition of all of the issued and outstanding shares of Steen River Oil & Gas Ltd. ("Steen "), a private oil and gas exploration and production company through a Plan of Arrangement which offered $0.30 cash per share or 0.33 common shares of the Company in exchange for one Steen share, as well as assuming the outstanding debentures of Steen. The Company acquired the Steen shares in exchange for a total of 4,416,545 common shares, $6,349,162 in cash, and the assumption of secured debentures valued at $3,425,225, for a total consideration of $14,455,925. Due to the consideration offered for Steen being less than the fair value of the assets acquired, the Company recognized a gain on acquisition of subsidiary of $10,547,125. The debentures were repaid in November 2011.

Steen was acquired to gain access to its high quality light oil producing properties with a substantial land base and facility infrastructure. A business acquisition report in respect to this acquisition has been filed on www.sedar.com.

Maxhamish

In early 2011, Strategic commissioned GLJ to conduct an independent resource evaluation of the Company's Maxhamish area effective December 31, 2010. This study has assigned discovered petroleum initially-in-place ("DPIIP") to 13,874 gross acres (22 sections gross lease) of land for a best estimate of 123 MMbbl of oil (48 MMbbl net to Strategic). This represents 6 MMbbl of oil per section gross lease. This assignment is consistent with Strategic's internal estimate for DPIIP resources for the study area. The DPIIP study is restricted to a 3 mile extension from the existing wells where proven and probable assignment of reserves have been recognized and does not extend over the entire Maxhamish land base. The 13,874 acres represent 20% of Strategic's Maxhamish land base. In addition, Strategic management's internal estimate has projected recovery factors of between 10% to 15% on primary recovery. At 4 wells per section this would yield recoverable volumes of between 150 and 225 Mbbl per well.

Steen River Area

Steen's primary asset is an owned and operated light oil field in the Steen River area of northwest Alberta producing from the Keg River zone. Steen is the primary operator in the area with over 100 sections of undeveloped land, oil and natural gas facilities and other infrastructure including 38 sections acquired in a land sale in May, 2011. This area has been under-exploited to date with minimal seismic or drilling activity.

At the time of acquisition, production was approximately 250 boe/d with an additional 250 bbls/d of light oil (34 degree API) shut-in as a result of a pipeline break. In late January, 2011 the pipeline was repaired and an additional 400 boe/d of production was brought back on-stream.

The Company made significant progress increasing its production during 2011, due to the successful drilling program at the Steen River assets. The program was consistent with the Company's strategy to explore, exploit and acquire large hydrocarbons in place reservoirs.

The Company's 2011 production was enhanced by the Steen acquisition along with added production from the successful winter drilling program. The sales production averaged 956 boe/d (69% liquids) which is a 216% increase over 2010 production results. The Company's 2011 financial results have benefited from increased production from the drilling program and the acquisition of Steen River combined with the strong oil price environment. The Company's revenue increased 289% over the 2010 financial results to $23,852,810 and cash flow from operations increased to $745,195 from negative funds of $1,868,358 in 2010. The Company realized an average of $68.37 per boe, up 24% compared to $55.34 in 2010.

A pipeline breach in late April, 2011 shut down the Rainbow pipeline, which delivers the Company's Steen River crude oil to market. Strategic was forced to shut-in approximately 600 bop/d production at Steen River as a result. This had a significant impact on the Company's sales volumes in the second and third quarters. The resumption of normalized pipeline operations on the Rainbow pipeline allowed the Company to return to full production.

2011 Drilling Results

Strategic successfully drilled, completed and placed on production the 100/08-22-122-21 W5M well in Q1 and the 103/10-22-122-21 W5M well in Q2 of 2011. Both wells are currently producing from the Keg River formation.

In Q3, Strategic purchased a horizontal oil treater. The treater was installed at the 9-17-122-20 Steen River Gas plant as an enhancement to the already existing oil handling facilities. The installation of the treater allowed for more efficient processing of existing crude production while increasing capacity in anticipation of a successful drilling program.

Strategic commenced its Q3 and Q4 drilling program on August 28th 2011. Strategic drilled and cased a horizontal well in the Sulphur Point at 102/11-22-122-21 W5M. Completion operations continued into the fourth quarter with the well tied in and on production in November, 2011.

A second well was spudded on September 21, 2011. The 100/15-22-122-21 W5M well was successfully directionally drilled to its target depth within the Keg River formation. The wellbore encountered a significant thickness of porous, oil filled dolomite and significantly extended the northern limits of the Keg River H pool and structure. Strategic successfully completed the well in November, 2011, with the well going on production in December of 2011.

A third well, the 102/03-22-122-21W5M well was drilled as an exploratory well targeting a new play concept. The well encountered hydrocarbons from a previously untested shallow zone. The well was cased and completed. The well is currently awaiting additional stimulation work over the summer months prior to commencement of tie in activities.

A fourth well, the 103/15-18-122-22 well was drilled at Marlowe west. The well was successfully completed as a Keg River oil well.

A fifth well, the 102/15-22-122-21 W5M was drilled as an offsetting step out well to the successful 100/15-22 well. The 102/15-22 well was placed on production in late December 2011.

A sixth well, the 102/14-22-122-21 W5M well was spudded on December 10, 2011. Drilling operations were not complete prior to the New Year. The well was ultimately successful with drilling, completion and tie in operations occurring in Q1 2012 with first production commencing in early March 2012.

At Maxhamish, Strategic, with its operating partner Legacy Oil & Gas Inc., completed an all-weather road including well pads in early July, 2011. Two wells were drilled and fracture stimulated. Liner difficulties in the first well resulted in only half the wellbore being effectively stimulated. Initial production rates have been encouraging. The second well came on production in January 2012 and continues to recover load fluid and formation oil, but is rate constrained due to surface production equipment limitations. Strategic continues to be encouraged with the play, as the two horizontal wells drilled in 2010 have been producing at a stabilized rate of approximately 55 boe/d per well after almost two years of production.

2011 Capital Summary

In May, 2011, the Company's line of credit was increased from $5,000,000 to $21,000,000 with the interest rate decreasing to prime plus 1.25%. The facility was undrawn at year end. Strategic's exploration and development capital spent for 2011 was approximately $46,000,000.

In September, 2011 the Corporation adopted a shareholders' rights plan, subject to confirmation by shareholders at their next annual meeting.

In December, 2011, the Company issued 35,000,000 shares at $0.90 per share and 9,100,000 flow-through shares at $1.10 per share for gross proceeds of $42,329,000.

The Company's fourth quarter production for 2011 averaged 1,230 boe/d, a 288% increase from December 31, 2010.

Reserves

In accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("N 51-101"), GLJ evaluated, as at December 31, 2011, materially all of Strategic's oil, natural gas liquids and natural gas reserves.

The following table is a summary, as at December 31, 2011, of Strategic's petroleum and natural gas reserves as evaluated by GLJ. It is important to note that the recovery and reserves estimates provided herein are estimates only. Actual reserves may be greater or less than the estimates provided herein.

Gross Company Reserves Summary [(1)]

Using GLJ December 31, 2011 Forecast Prices and Costs
As at December 31, 2011

	Light and Medium Oil (MBbl)	Natural Gas (MMcf)	NGL's (MBbl)	Total Oil Equivalent (MBoe)
Proved Producing	1,661	2,437	62	2,129
Proved Developed Non-Producing	39	575	-	135
Proved Undeveloped	913	240	(1)	952
Total Proved	2,613	3,252	61	3,215
Total Proved plus Probable	4,173	5,919	112	5,271

Notes:

1. Gross Company Reserves means the Company's working interest reserves before calculations of royalties and before consideration of the Company's royalty interest.

Overview

OUTLOOK FOR 2012

During 2011, Strategic made great strides in establishing itself as an efficient light oil operator in Northern Alberta. Significantly increased production of light oil resulting from Q4 2011 and Q1 2012 activities at Steen River will generate substantial cash flow allowing the Company to continue development of its operated property at Steen River as well as continued participation at its non-operated Maxhamish property. The technical team at Strategic continues to evaluate and assemble an inventory of exploration and acquisition prospects that will be accretive to the Company's oil focussed asset base.

For 2012 the Company has an approved capital budget of $60 million that is expected to provide growth in daily crude oil production by the end of the year. The capital program includes an anticipated $35 million focused on the crude oil program at Steen River, and the remainder of the capital program will target production optimization as well as investment in land and seismic. The Company's drilling plan includes an estimated 20 (17 net) wells and is expected to provide 2012 average production of approximately 2,400 boe/d and generate funds flow of approximately $34-38 million. The Company anticipates exiting 2012 with production of approximately 3,000 boe/d.

Steen River, Northwest Alberta

Strategic has drilled nine wells in Q1 2012. Success in the Q4 2011 and Q1 2012 drilling programs has resulted in a large inventory of follow up drilling locations. Strategic intends to resume drilling activities in Q3 2012 and expects to drill up to five additional wells before the end of 2012. Additional work at Steen will include the acquisition of follow up 2D and 3D seismic data, the extension of an all-weather road infrastructure and the expansion of oil processing facilities at the 9-17-120-20W5 facility.

Maxhamish

At Maxhamish, plans for further drilling are proceeding. During 2011 an all-weather road and drilling pad were constructed to allow for all weather access and additional drilling. By January 2012 the third and fourth wells were successfully drilled and stimulated and are now producing oil. The pace of development at Maxhamish is dependent upon Strategic's operating partner Legacy Oil + Gas Inc. Strategic continues to work closely with Legacy to advance the project. Strategic expects to participate in the drilling of up to four wells at Maxhamish beginning July 2012 following spring breakup.

Amber

In 2011 Strategic acquired a large land position in an emerging oil play in Northern Alberta. Strategic has identified multiple prospective oil zones underlying its lands. Extensive road and pipeline infrastructure exists in the Amber area. Strategic plans to drill two exploratory horizontal wells commencing in Q3, 2012.

Summary

Strategic is in a unique position for a junior/emerging oil and gas company:

(i) ongoing drilling program at Steen River with over 100 sections of undeveloped land;

(ii) the ability to significantly increase production at Steen River utilizing existing infrastructure;

(iii) ongoing drilling program at Maxhamish, with over 100 sections of land;

(iv) drill ready targets in an emerging oil play at Amber;

(v) access to three drilling rigs for the remainder of 2012 with options for continued utilization into 2013.

GENERAL DESCRIPTION OF THE BUSINESS

Corporate Summary

Strategic's business strategy is to increase production, cash flow and shareholder value in a cost-effective manner by focused drilling, accretive acquisitions and operational efficiency.

Competitive Conditions

The oil and natural gas industry is competitive in all its phases. Strategic competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Strategic's competitors include resource companies which have greater financial resources, staff and facilities than those of Strategic. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Strategic believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

Seasonal Factors

The exploration for and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variations, including freeze-up and break-up, affect access in certain circumstances. The Maxhamish property in north eastern British Columbia is accessible only in winter. Drilling is currently limited to December through April when the ground is frozen. Strategic and its partner are currently completing an all weather access road. Steen River, in northwest Alberta, has all year access into certain areas of the property, while certain areas are restricted to winter access only.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation can require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness. See "Industry Conditions - Environmental Regulation" and "Risk Factors – Environmental".

Employees

As of December 31, 2011, Strategic had 16 head office employees, 5 field employees, 5 contract field employees and 8 office consultants.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

In accordance with NI 51-101, GLJ prepared the GLJ Report. GLJ evaluated, as at December 31, 2011, the oil, NGL and natural gas reserves attributable to materially all of the Company's lands.

See www.sedar.com for complete NI 51-101 oil and gas reserves disclosure for Strategic as at December 31, 2011.

The net present value of future net revenue attributable to reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures and well abandonment costs for only those wells assigned reserves by GLJ. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by GLJ represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of oil, NGL and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

The GLJ Report is based on certain factual data supplied by Strategic and GLJ's opinions of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to petroleum properties and contracts (except for certain information residing in the public domain) were supplied by Strategic to GLJ. GLJ accepted this data as presented and neither title searches nor field inspections were conducted.

Strategic estimates that its cash on hand at December 31, 2011 and internally generated cash flow will be sufficient to fund its future development costs as contemplated by the GLJ Report. Strategic typically has available four sources of funding to finance its capital expenditure program; cash on hand, internally generated cash flow from operations, new equity issues, if available on favourable terms, and debt financing when appropriate. Debt financing is available to Strategic at the ATB prime lending rate plus 1.75%. Strategic expects to fund its total 2012 capital program with internally generated cash flow and cash on hand, and although quarterly fluctuations in funding levels are expected, the objective is to remain within the Company's debt capacity throughout the 2012 financial year. Strategic's objective is to maintain its debt to cash flow ratio to less than 1.0 times estimated future cash flows.

Description of Principal Properties

The following is a description of the oil and natural gas properties in which the Company has an interest and that are material to its operations and activities. The production numbers stated refer to the Company working interest share before deduction of Crown and freehold royalties. Reserve amounts are stated before deduction of royalties based on escalated cost and price assumptions as evaluated in the GLJ Report as at December 31, 2011.

Canada

Amber Area, Alberta

The Amber area is located in Twp 113 -114 and Rge 6 – 8 W6M. The Corporation acquired a 100% working interest in 36,100 acres (56.4 sections) of undeveloped land in June 2011. The land is prospective for Sulphur Point and emerging unconventional resource oil in the Jean Marie and Muskwa. No reserves have been assigned to Strategic in Amber in 2011. The 2012 development program includes the drilling and evaluation of two test wells in Q3/Q4.

Caroline Area, Alberta

Caroline Area is located in west central Alberta and is operated by NAL Resources. The Corporation has a minor working interest (18.5%) in 2 sections. In 2011 the operator drilled one successful horizontal well in the Cardium (16-08) which went on production January 2012. Strategic elected to go penalty on the well which for the Corporation provided similar expected present values with no risk. The well will provide income to the Corporation after reversion. Additional horizontal Cardium locations have been identified.

The Corporation in 2011 produced 19,700 boes or 54 boe/d from this property and GLJ has attributed 72,000 boes of proved reserves and 158,000 boes proved plus probable reserves to this property. There were 3 gross (0.5 net) gas wells on production for the year 2011.

Ferrier Area, Alberta

Ferrier is located in west central Alberta and is operated by Baccalieu Energy. In 2011 the operator recompleted the 10-04 well in the Ellerslie and is now producing approximately 100 mcfd.

The Corporation's share of production from the Ferrier area for the full year 2011 was 19,940 boes or 55 boe/d. The Corporation has 160 (42 net) undeveloped acres in this area. GLJ has attributed 83,000 boes of proved reserves and 156,000 boes of proved plus probable reserves to this property.

Historically, the Corporation entered into a farm out, equalization and participation agreements with another industry partner in 2008. Pursuant to those agreements the Corporation participated in the drilling of six wells. This area is known for wells having multiple pay zones and liquids rich natural gas. There were 4 gross (1.1 net) gas wells and 1 gross (0.3 net) oil wells on production for the year 2011.

Conrad, Alberta

Conrad is located 35 km southwest of Taber, Alberta. Strategic holds a 100% working interest and operates a mature medium gravity oil property at Conrad. There are 16 gross (13.9 net) oil wells and a production facility. The field currently produces 23 degree API oil from the Ellis Member of the Sawtooth Formation (1,000 m in depth) at a total rate of approximately 60 barrels of oil per day. The geological setting for the Sawtooth Formation at Conrad is a series of sands lapping a Mississippian high. Strategic drilled and tied-in wells at 100/14-23 and 102/06-23 in 2010. Production attributed to the Corporation for the full year 2011 from Conrad was 21,883 boes or 60 boe/d. GLJ has attributed 150,000 boes of proved reserves and 221,000 boes of proved plus probable reserves to this property.

Maxhamish, Northeast British Columbia

Maxhamish is located 125 km north of Fort Nelson and is operated by Legacy Oil & Gas. In 2011 Strategic participated in two horizontal wells which were drilled and multi-stage fractured stimulated. Both wells were placed on production late 2011. The property now has 8 producing oil wells (3.5 net to the Corporation). Strategic has a 38.5% working interest in 4,745 acres of developed and 64,709 acres of undeveloped land for a total position of 69,454 acres (26,740 net). The Corporation in 2011 produced 12,582 boes from this property. GLJ has attributed 101,000 boes of proved reserves and 202,000 boes of proved plus probable reserves to this property.

In early 2011, Strategic commissioned GLJ to conduct an independent resource evaluation of the Corporation's Maxhamish area effective December 31, 2010. This study has assigned discovered petroleum initially-in-place ("DPIIP") to 13,874 gross acres (22 sections gross lease) of land for a best estimate of 123 MMbbl of oil (48 MMbbl net to Strategic). This represents 6 MMbbl of oil per section gross lease. This assignment is consistent with Strategic's internal estimate for DPIIP resources for the study area. The DPIIP study is restricted to a 3 mile extension from the existing wells where proven and probable assignment of reserves has been recognized and does not extend over the entire Maxhamish land base. The 13,874 acres represents 20% of Strategic's Maxhamish land base. There is no certainty that any portion of the estimated DPIIP will be discovered. Further, if discovered, there is no certainty that it will be commercially viable to produce any portion of the estimated PIIP. Additional drilling analysis is required to develop a resource on the property.

The Corporation's internal estimate for PIIP is over 500 MMbbl (192 MMbbl net) of 42 deg API oil on Strategic's lands. Strategic management's internal estimate has projected recovery factors of between 13% to 15% on primary recovery. At 4 wells per section this would yield recoverable volumes of between 150 and 225 Mbbl per well. The same qualifications as to DPIIP as above apply to PIIP.

Historically, Strategic entered into a purchase and sale agreement ("the Agreement") with its partner to acquire from Encana Corporation the remaining 35% working interest in Maxhamish, for a total purchase price of $13.0 million ($5.0 million net to Strategic), in October 2010.

Terms of the Agreement:

1) The acquisition included 21,500 net acres (> 30 sections) of undeveloped land, 7 oil wells (representing 50 boe/d of production net to Strategic), related facilities, an oil pipeline, and a road that connects the area to the year round Liard Highway.

2) The acquisition included rights to extensive 2-D seismic coverage over the area.

3) The acquisition included rights to the Dunvegan zone, providing access to a source of water.

As a result, the farmout agreement with Encana was eliminated providing Strategic with an undivided 38.5% working interest.

The 2012 development program with Legacy as Operator is proceeding and includes:

i) Re-entry and evaluation of one horizontal well;

ii) Contingent on evaluation, the drilling of additional well(s) by the fourth quarter of 2012, with completions to follow; and

iii) Building infrastructure where necessary, including battery, pipelines, etc.

Steen River / Lessard Area, Alberta

The Steen River area assets are located in northwestern Alberta, approximately 60 mile north of the town of High Level, Alberta. Strategic is operator with a 100% working interest in 15,360 (13,973 net) acres of developed and 44,960 (44,533 net) acres of undeveloped land for a total position of 60,320 acres (58,506 net). At year end 2011 the Corporation had 16 oil wells and 10 gas wells producing. Further, the Corporation operates a major gas and oil production facility. The field currently produces 34 degree API oil from the Sulphur Point and Keg River and gas from the Slave Point, Sulphur Point and Keg River. In 2011 the Corporation drilled 7 wells. All wells were cased and 6 were tied in for production with IP's ranging from 50 to 350 boe/d. The 2011 drilling program added approximately 900 boe/d to the Corporation's yearly production. In 2011, the Corporation purchased 27,520 acres of land in Steen River, shot 39 km^2 of 3D seismic, 44 km of 2D seismic, upgraded the production facility and built all weather road access to all major producing wells.

Production attributed to the Corporation in Steen River for 2011 was 205,006 boes. GLJ has attributed 2,464,000 boes of proved reserves and 3,901,000 boes of proved plus probable reserves to this property.

Historically, the Corporation acquired a 5% working interest in December 2007. On December 22, 2010, Strategic purchased Steen River Oil & Gas Ltd. and increased its average producing working interest to 100%. Production from the Steen River area assets at year end 2011 was weighted 82 percent to oil with the balance being natural gas. All production is pipelined to Corporation-owned processing facilities that include a sour service natural gas plant rated to 40 mmcf/d and fluid handling and treating facilities for the oil. Oil sales are then trucked to Rainbow whereas the gas sales are directly tied into the Nova pipeline system at the plant gate. Produced water and acid gas are both disposed of into a water disposal well and an acid gas injection well respectively.

The Lessard asset is located to the East of Steen River, located across the Haywood River and currently is non-producing due to access restrictions. There are numerous oil and gas wells in this area which require a gathering system scheduled for tie-in 2013. GLJ has attributed Lessard with 66,000 boes of proved reserves and 185,000 boes of proved plus probable reserves.

The 2012 development program is proceeding on schedule:

i) In Q1 and Q2 drill 9 wells with infrastructure and all weather roads, where possible, to major producing wells,

ii) Shoot 31 km of additional 2D seismic,

iii) In Q3 and Q4 drill an additional 4 plus wells with infrastructure and all weather roads, where possible, to major producing wells, and

iv) Facility upgrades to expand fluid operating capacity.

Larne Area, Alberta

The Larne area assets are located in north western Alberta and to the east of the Zama Keg River basin. Strategic is operator with a primarily 60% working interest in 9,440 (4,996 net) acres of developed and 17,120 (10,092 net) acres of undeveloped land for a total position of 26,560 acres (15,088 net). The Larne assets include the Larne natural gas field plus several single well pools which produce from the Sulphur Point and Slave Point formations. The Larne assets are 100% weighted toward natural gas with minor associated natural gas liquids. In the Larne area the Corporation owns an interest in 11 gross (7.4 net) producing gas wells and 13 gross (10.2 net) non-producing gas wells.

Production from the Larne assets are treated through a Paramount operated facility located at 1-1-118-2W6 before the gas is then pipelined to a third party owned processing facilities that includes fluid handling, gas processing and compression with a sales gas connection to the Nova pipeline.

Production attributed to the Corporation in Larne for 2011 was 44,118 boes. GLJ has attributed 142,000 boes of proved reserves and 215,000 boes of proved plus probable reserves to this property.

Taber, Alberta

Strategic holds a 75% working interest and operates a mature medium gravity oil property at Taber, in Southern Alberta. There are 13 oil wells and a production facility. The field currently produces 23 degree API oil from the Glauconite Formation (1,000 m in depth) at a total rate of approximately 59 barrels of oil per day net to Strategic. The Glauconite reservoir is consistently clean and highly porous and permeable, with permeabilities greater than 1,000 mD. Typical net oil pays range from 2.0-5.0 metres. Strategic's wells at Taber have a long reserve life and have been producing medium gravity oil at a steady rate for several decades. Production attributed to the Corporation from Taber for 2011 was 21,671 boes or 59 boe/d. GLJ has attributed 98,000 boes of proved reserves and 178,000 boes of proved plus probable reserves to this property. The additional probable reserves at Taber may be obtained through infill drilling and through a comprehensive plan to optimize the water flood currently in place

United States

Pinedale, Wyoming

The Corporation purchased a 22.5% working interest in 640 acres of land located in the Greater Green River Basin in southwest Wyoming in 2008. The target zone of interest is in the Lance formation which has producing zones in the offset Jonah/Pinedale fields. The Corporation has 135 net acres of undeveloped land on this prospect (600 gross acres). The Corporation's share of production from this area for the year 2011 was 2,661 boes or 7 boe/d.

DESCRIPTION OF CAPITAL STRUCTURE

Strategic is authorized to issue an unlimited number of Shares without nominal or par value. As at the date hereof, 187,099,068 Shares were issued and outstanding.

Shares

The holders of Shares are entitled to dividends if, as and when declared by the directors, to one (1) vote per Share at meetings of the holders of Shares of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Shares. All of the Shares currently outstanding are fully-paid and non-assessable.

DIVIDENDS

Strategic has not declared or paid any dividends on the Shares since incorporation. The payment of dividends in the future will be at the discretion of the Board and will be dependent on the future earnings and financial condition of the Company and such other factors as the Board considers appropriate.

PRIOR SALES

The following set out the securities of the Company that are outstanding but not listed or quoted on a marketplace, that were issued during the financial year ended December 31, 2011 and up to the date hereof.

Date of Issuance	Description of Transaction	Number of Securities Issued	Securities Granted	Price per Security
28-Apr-11	Warrant Exercise– Shares	89,070(3)		$0.27
4-May-11	Warrant Exercise– Shares	926(3)		$0.27
17-May-11	Stock Option Exercise– Shares	41,666		$0.25
17-May-11	Stock Option Exercise– Shares	41,666		$0.50
14-Jul-11	Warrant Exercise– Shares	7,407(3)		$0.27
13-Sep-11	Stock Option Grant		35,000(1)	$1.10
2-Nov-11	Stock Option Grant		100,000(2)	$0.91
17-Nov-11	Stock Option Exercise– Shares	10,000		$0.25
17-Nov-11	Stock Option Exercise– Shares	10,000		$0.50
17-Nov-11	Stock Option Exercise– Shares	13,000		$0.65
17-Nov-11	Stock Option Exercise– Shares	10,000		$0.75
21-Dec-11	Private Placement – Shares	33,400,00`		$0.90
21-Dec-11	Private Placement – Flow Through Shares	9,100,000		$1.10
21-Dec-11	Private Placement – Shares – Over allotment	2,500,000		$0.90
23-Dec-11	Private Placement – Shares – Over allotment	2,510,000		$0.90
6-Jan-12	Stock Option Exercise– Shares	100,000		$0.50
6-Jan-12	Stock Option Exercise– Shares	100,000		$0.60
10-Jan-12	Stock Option Exercise– Shares	100,000		$0.25
11-Jan-12	Stock Option Exercise– Shares	200,000		$0.25
13-Jan-12	500,000 Option cancellation	-		$1.10
24-Feb-12	Option Grant	-	2,260,000(4)	$0.90
30-Mar-12	40,000 Option cancellation	-		$1.10

16-Apr-12	Stock Option Exercise– Shares	30,000	$0.65
17-Apr-12	Stock Option Exercise- Shares	7,000	$0.65
18-Apr-12	40,000 Option cancellation	-	$1.10

Notes:

(1) Each option entitles the holder to acquire one (1) Share at an exercise price of $1.10 per share expiring in five (5) years from the date of grant, exercisable immediately.

(2) Each option entitles the holder to acquire one (1) Share at an exercise price of $0.91 per share expiring in five (5) years from the date of grant, exercisable immediately.

(3) On March 10, 2009, Strategic closed an arms-length acquisition of all of the issued and outstanding shares of ZinMac Inc. ("ZinMac"), a private oil and gas consulting company. As part of the consideration 100,000 warrants of ZinMac were converted, in accordance to their terms, into 370,370 warrants of Strategic, exercisable at $0.27 per share until May 8, 2011 all of which were exercised

(4) Each option entitles the holder to acquire one (1) Share at an exercise price of $0.90 per share expiring in five (5) years from the date of grant.

MARKET FOR SECURITIES

The Shares are listed and trade on the TSX-V under the symbol "SOG". The following table sets forth the price ranges and average volume traded of Shares as reported by the TSX-V for the periods indicated.

DATE	OPEN	HIGH	LOW	CLOSE	VOLUME
Jan, 2011	$1.18	$1.26	$1.02	$1.12	613,600
Feb, 2011	$1.10	$1.40	$1.10	$1.30	758,300
March 2011	$1.29	$1.29	$0.97	$1.16	403,700
April 2011	$1.15	$1.22	$0.97	$1.04	403,400
May 2011	$1.02	$1.17	$0.88	$1.12	478,100
June 2011	$1.16	$1.25	$0.90	$1.00	371,800
July 2011	$0.96	$1.05	$0.86	$0.90	84,900
Aug, 2011	$0.90	$0.95	$0.63	$0.89	449,500
Sep, 2011	$0.88	$0.90	$0.73	$0.75	887,900
Oct, 2011	$0.73	$0.95	$0.68	$0.91	286,200
Nov, 2011	$0.89	$1.08	$0.82	$0.93	157,100
Dec, 2011	$0.90	$0.92	$0.80	$0.87	243,500
Jan, 2012	$0.89	$0.95	$0.82	$0.82	172,200
Feb, 2012	$0.83	$0.84	$0.72	$0.83	198,800
March 2012	$0.81	$1.05	$0.79	$0.85	320,400
April(1 - 26), 2012	$0.84	$0.94	$0.75	$0.76	250,600

ESCROWED SECURITIES

As of the date hereof no Shares are held in escrow.

DIRECTORS AND OFFICERS

Directors and Officers

The following table sets forth the names, province or state and country of residence, present positions with Strategic and principal occupations during the past five years of the executive officers and directors of Strategic as at the date hereof.

Name and Residence	Position(s) with Strategic	Director Since	Number of Shares Owned or Controlled	Principal Occupation(s) Over Past 5 Years
Arn Schoch[1] Vancouver, B.C.	Director, CEO and Chairman	2004	2,948,423 (1.58%)	Formerly President, Director and CEO since 2004, now CEO, Chairman and Director of the Company. Previously Chief Executive Officer of Pan-Global Energy Ltd., a TSX listed oil and gas company, which became Pearl Exploration and Production Ltd.
John Harkins[1][2] Texas, USA	Director	2008	Nil	Mr. Harkins is a chemical engineer and an independent businessman with over 30 years of diverse international energy experience. Mr. Harkins is currently the President and Chief Executive Officer of Greenfields Petroleum Corporation (TSXV: GNF), an independent exploration and production company with assets in Azerbaijan. Mr. Harkins has been involved in successfully closing structured financing for energy projects with banks, multilaterals and other financial institutions.
Thomas Claugus[2] Atlanta, Georgia	Director	2012	45,802,800 (24.48%)	President and majority shareholder of GMT Capital Corp. (a private investment company) which he founded in 1990. Mr. Claugus currently sits on the board of several other companies, including Paramount Resources Corp.
D. Richard Skeith[1][3] Calgary, Alberta	Director	2005	334,683 (.18%)	Rick Skeith is a partner at Norton Rose Canada LLP practising in the securities area and currently sits on the board of Leader Energy Services Ltd. and Sienna Gold Inc., both currently trading on the TSX Venture Exchange and has been a director of Strategic since 2005.
Dr. Sean Hayes Calgary, Alberta	Chief Operating Officer	N/A	619,719 (.33%)	COO of Strategic since 2009. Formerly a director and Vice President of ZinMac Inc., a private oil and gas consulting company from October, 2007 to March, 2009. Prior thereto, Corporate Advisor for Reservoir Modelling with Talisman Energy Inc.
Gurpreet Sawhney Calgary, Alberta	President	N/A	822,810 (.44%)	VP of Strategic from 2009. Now President. President of a private engineering consulting company from 1996. Mr. Sawhney is a Bachelor of Engineering graduate in Chemical Engineering from Punjab University, India. He obtained a Master of Science in Chemical Engineering and an MBA both from the University of Calgary.
Mahrookh Driver Vancouver, B.C.	Chief Administrative Officer and Corporate Secretary	N/A	791,378 (.42%)	Secretary of Strategic since 2004. Ms. M. (Rooky) Driver is a member of the Institute of Chartered Accountants of British Columbia, Canada and is a former Fellow of the Institute of Chartered Accountants in England and Wales. Ms. Driver has been an officer of the Company since 2005.

Name and Residence	Position(s) with Strategic	Director Since	Number of Shares Owned or Controlled	Principal Occupation(s) Over Past 5 Years
Shelina Hirji Calgary, Alberta	VP, Finance	N/A	Nil (0%)	VP Finance of Strategic. Controller since December 2011 and Controller for Steen River Oil & Gas Ltd. since January 2010. Ms. Hirji's work experience includes senior accounting roles in both public and private companies with extensive participation in growth opportunities and the design and implementation of financial systems and reporting controls. Ms. Hirji has her Certified Management Accountant designation and is an active member of the Society of Management Accountants of Alberta.
Kirk Boote(2) Alberta, Canada	Executive VP, Engineering	N/A	371,000 (.20%)	Executive VP of Strategic from 2011. VP of Strategic from 2010. Formerly President and Director, Sunrise Reservoir Consulting from January, 2008 to December, 2009. Prior thereto, Senior Reservoir Engineer for Vermillion Energy Trust from October, 2000 to October, 2008.
Jeff Huckle Alberta, Canada	VP, Operations	N/A	Nil (0%)	Mr. Huckle has over 15 years of industry experience in operations both in western Canada and internationally. Mr. Huckle has been Director of Operations with Strategic since December 2010 and Vice-President of Operations of Steen River Oil & Gas Ltd., a wholly owned subsidiary of SOG, and JED Oil Inc., since April 2008. Mr. Huckle has an Honours Diploma in Mineral Engineering Technology from the Northern Alberta Institute of Technology.
Barbara Joy Alberta, Canada	VP, Land	N/A	3,000 (0%)	Ms. Joy has over 13 years of industry experience holding a variety of roles in the Land profession with companies such as Canadian Natural Resources, BP Outsourcing Division of PricewaterhouseCoopers, and Encana. Ms. Joy holds a Bachelor of Commerce Degree, with a major in Petroleum Land Management from the University of Calgary and is a member of the Canadian Association of Petroleum Landmen.

Notes:
(1) Member of the Audit Committee
(2) Member of the Reserves Committee
(3) Member of the Compensation Committee

Each of the directors has been elected or appointed to serve as such until the next annual meeting of the Shareholders or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the articles or by-laws of the Company.

As of the date hereof, the directors and executive officers of Strategic as a group beneficially owned, directly or indirectly, or exercised control or direction over 51,693,813 Shares representing 27.63% of the issued and outstanding Shares. In addition, the directors and executive officers of Strategic, as a group, hold Options to purchase 6,136,667 Shares.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of management of the Company, no director or executive officer of Strategic is, or has been in the last 10 years, a director, chief executive officer or chief financial officer of an issuer that, (i) while that person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, for a period of more than 30 consecutive days, (ii) was subject to an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, which resulted, after that person ceased to be a director, chief executive officer or chief financial officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (iii) while that person was acting in the capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Subsequent to Rick Skeith's resignation as the corporate secretary of Cheyenne Energy Inc., in January, 2008, a receiver was appointed by Cheyenne's bank and its assets sold to pay its bank debts. Rick Skeith is a director of Sienna Gold Inc., formerly Vortex Integrated Industrial Corp. On February 25, 2003 trading in the company shares was suspended by the BC Securities Commission for failure to file required financial statements. The order was rescinded on March 14, 2003. On June 20, 2003 trading in the company shares was suspended by the Alberta Securities Commission for failure to file required financial statements. Vortex was delisted by the TSX-V on June 20, 2003. Sienna subsequently relisted on the TSX-V, and is currently in good standing. Rick Skeith was the corporate secretary of MegaWest Energy Corp. when it was subject to a cease trade order from September 7, 2010 until October 22, 2010 for failure to file financial information on a timely basis. He also was the corporate secretary of Canaf Group Inc. and was subject to a management cease trade order on March 5, 2008, when that company was late with its financial filings. Those were subsequently filed and the MCTO was revoked on June 20, 2008.

Penalties or Sanctions or Personal Bankruptcy

To the knowledge of management of the Company, no director, executive officer or Shareholder holding a sufficient number of Shares to affect materially the control of the Company: (i) has been subject to, (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; or (ii) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold his or its assets.

Conflicts of Interest

Circumstances may arise where members of the Board are directors or officers of corporations which are in competition to the interests of Strategic. No assurances can be given that opportunities identified by such Board members will be provided to Strategic. Pursuant to the ABCA, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction.

AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee of the Board operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this Annual Information Form as

Appendix "A". The Audit Committee is comprised of three directors: D. Richard Skeith, John Harkins and Arn Schoch, one of whom is independent, and one of whom would be independent except that he is a partner in a law firm that provides legal services to the Company, and all of whom are financially literate (as determined under Multilateral Instrument 52-110 *Audit Committees*).

As a company listed on the TSX Venture Exchange, the Company is exempt from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of Multilateral Instrument 52-110 *Audit Committees*, and is relying on the exception contained in section 6.1 of that instrument.

In considering criteria for the determination of financial literacy, the Board looked at the ability to read and understand a balance sheet, an income statement and cash flow statement of a public company as well as the director's past experience in reviewing or overseeing the preparation of financial statements. The following sets out the education and experience of each director relevant to the performance of his duties as a member of the Audit Committee.

John Harkins

John Harkins is an independent director with over 32 years of experience in the oil and gas industry. He has been an officer or director of several public oil and gas companies and has a working knowledge of oil and gas accounting. He has a BSc in Engineering degree from the University of Toronto.

D. Richard Skeith

D. Richard Skeith is the chairman of the audit committee. He is a partner with a large international law firm, and has a degree in economics from the University of Alberta. He has served on other audit committees as well as being a director or officer of public companies in various industry sectors.

Arn Schoch

Arn Schoch has a B.A.(Economics) degree from Carleton University. He is the CEO and Chairman of the Company, has been a director or senior officer of various public companies over the past 20 years, and has a strong working knowledge of oil and gas accounting. He is not considered independent as he is the CEO of the Company.

Auditors' Fees

Meyers Norris Penny LLP (formerly Cinnamon Jang Willoughby and Company), Chartered Accountants, became Strategic's auditors on June 10, 2004. Fees paid to Strategic's auditors for the years ended December 31, 2011 and 2010 are detailed below.

Fee	**For the year ended December 31, 2011**	**For the year ended December 31, 2010**
Audit Fees	$95,750	$103,000
Audit-Related Fees	nil	nil
Tax Fees	4,800	7,200
Other Fees	81,000	25,200
Total	$181,550	$135,400

The audit committee has pre-authorized $58,500 for non-audit services from the Company's auditors for 2012.

RISK FACTORS

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Company.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions.

Other companies operate some of the assets in which the Company has an interest. As a result, the Company has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Company's financial performance. The Company's return on assets operated by others therefore depends upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with standard industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company's ability to market its natural gas and oil may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The Company's revenues, profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas which are volatile and subject to fluctuations. The Company's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include economic conditions in the United States and Canada, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternative fuel sources. Fluctuations in the price of oil and gas could have an adverse effect on the Company's carrying value of its proved reserves, borrowing capacity, revenues, profitability and funds flows from operations.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the impact of emerging countries such as China and India on the demand for crude oil and natural gas.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, financial resources available to the Company are in part determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could reduce the Company's borrowing base, therefore reducing the bank credit available to the Company which could require that a portion, or all, of the Company's bank debt to be repaid.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore effected by the Canadian/United States dollar exchange rates, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar although the rise in the Canadian dollar may be offset by increases in oil and natural gas prices which have been significant factors in the increase in the Canadian dollar. Material increases in the value of the Canadian dollar negatively impact the Company's production revenues. Future Canadian/United States dollar exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators.

To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract.

An increase in interest rates could result in an increase in the amount the Company pays to service debt, which could negatively impact the market price of the Shares.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time, See "Industry Conditions". The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects and the obtaining of such licences and permits may delay operations of the Company. Changes to the regulation of the oil and gas industry in jurisdictions in which the Company operates may adversely impact the Company's ability to economically develop existing reserves and add new reserves.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There has been much public debate with respect to Canada's ability to meet these targets and the Government of Canada's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Kyoto Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Company. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition. See "Industry Conditions – Environmental Regulation".

Substantial Capital Requirements

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. In the event the Company's revenues or reserves decline, the Company may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

Additional Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Company's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing to meet these requirements will be available at all or on terms acceptable to the Company.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and cash flows to be derived therefrom, including many factors beyond the Company's control. The reserve and associated cash flow information set forth in this Annual Information Form represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, future commodity prices, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, GLJ and AJM have used forecast price and cost estimates in calculating reserve quantities included herein. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and revenues derived therefrom will vary from the estimates contained in the GLJ Report and the AJM Report and such variations could be material. Both reports are based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reports will be reduced to the extent that such activities do not achieve the level of success assumed therein.

Royalty Rates

The potential for additional future changes and corresponding changes in the royalty regimes applicable in the provinces of Alberta and British Columbia, have created uncertainty surrounding the ability to accurately estimate future royalties, resulting in additional volatility and uncertainty in the oil and gas market. Increases to royalty rates in jurisdictions in which the Company operates may negatively impact the Company's results from operations and its ability to economically develop existing reserves or add new reserves.

Competition

Oil and gas exploration is intensely competitive in all its phases and involves a high degree of risk. The Company competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Competition may also be presented by alternate fuel sources.

Availability of Drilling, Completion Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling, completion and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. To the extent the Company is not the operator of its oil and gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Title to Assets

It is the practice of the Company when acquiring significant oil and gas leases or interests in oil and gas leases to examine the title to the interest under the lease. In the case of minor acquisitions the Company may rely upon the judgment of oil and gas lease brokers or landmen who perform the field work in examining records in the appropriate governmental office before attempting to place under lease a specific interest. The Company believes that this practice is widely followed in the oil and gas industry. Nevertheless, there may be title defects which affect lands comprising a portion of the Company's properties which may adversely affect the Company.

Hedging

From time to time the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases. Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Company would not benefit from the fluctuating exchange rate for the fixed price agreement amount. The Company currently has no hedges in place.

Issuance of Debt

From time to time the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time, could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Credit Risk

The majority of the Company's accounts receivable are due from joint venture partners in the oil and gas industry and from purchasers of the Company's petroleum and natural gas production and are subject to the same industry factors such as commodity price fluctuations and escalating costs. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Strategic. The integration of acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Company.

Seasonal Impact on Industry

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of Strategic.

Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers are engaged and will continue to be engaged in the search of oil and gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Company.

Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Reliance on Key Personnel

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Company. The Company does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Company are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

Expiration of Licences and Leases

The Company's properties are held in the form of licences and leases and working interests in licences and leases. If the Company or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Company's results of operations and business.

Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expend, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Company is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful such claim may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Insurance

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling the Company will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive laws and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation, and marketing) imposed by various levels of governments and with respect to pricing and taxation of oil and natural gas by agreements among the Governments of Canada, Alberta and British Columbia, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these laws or regulations will affect the Company's operations in a manner materially different than they would affect other oil and gas companies of similar size. All current laws and regulations are a matter of public record and the Company is unable to predict what additional laws and regulations or amendments may be enacted. Outlined below are some of the principal aspects of the legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing

In Canada, oil producers negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, and the value of refined products. Oil exports may be made under export contracts having terms not exceeding one year in the case of light oil, and not exceeding two years in the case of heavy oil, provided that an order approving any such export has been approved by the NEB. Any oil export to be made pursuant to a contract of longer duration requires an exporter to obtain an export licence from the NEB and the issue of such a licence requires the approval of the Government of Canada.

In Canada, the price of natural gas sold is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that export contracts in excess of two years must continue to meet certain criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than two years must be made pursuant to an NEB order, or, in the case of exports for a longer duration, pursuant to an NEB licence and Government of Canada approval. The provincial governments of Alberta and British Columbia also regulate the removal of gas from their jurisdictions for consumption elsewhere based upon such factors as reserve availability, transportation arrangements and market considerations.

Royalties

Alberta and British Columbia each have legislation and regulations which govern royalties. The royalty regime is a significant factor in the profitability of oil and gas production. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the royalty rate payable generally depends in part on the prescribed reference prices for the oil and gas, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced.

Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Competitive Conditions

The oil and natural gas industry in Canada is intensely competitive in all of its phases. Strategic competes with a substantial number of other companies that may have greater technical or financial resources. Many such companies not only explore for and produce oil and natural gas, but also carry on refining operations and market oil and other products on a worldwide basis. Generally there is intense competition for the acquisition of undeveloped or producing resource properties considered to have commercial potential. Prices paid for oil and natural gas properties are subject to market fluctuations and will directly affect the profitability of producing any oil or natural gas reserves that may be acquired or developed by the Company.

Environmental Regulation

Federal

Canada is a signatory to the United Nations Framework Convention on Climate Change and the Kyoto Protocol thereunder but has announced that it is withdrawing from the Kyoto Protocol. The Canadian federal government originally indicated an intention to regulate the emissions of GHGs from a range of industries in the Framework. The Framework was updated on March 10, 2008 pursuant to the Update. The Federal Plan outlines a number of policies to reduce GHGs intensity of regulated facilities. New facilities (which are defined as those facilities whose first year of operation is 2004 or later) would face intensity reduction requirements beginning in their fourth year of commercial production, of 2% per year from their "baseline" emissions intensity (which baseline is the emissions intensity for such facility's third year of commercial production) until at least 2020. Compliance options for new facilities under the Federal Plan include making emissions intensity improvements; making investments in certified carbon capture and storage projects; buying offsets or emissions performance credits; and for a portion of each entity's emissions reduction obligations, making payments of $15 per tonne until 2012, $20 per tonne in 2013 and an escalating annual rate per tonne thereafter; to the federal technology fund.

The Federal Plan also includes proposed requirements to be implemented by the Canadian federal government which would govern the emission of industrial air pollutants. Certain of the proposed requirements include fixed emissions caps, an emissions credit trading system, and several options from which companies can choose to meet their GHG emission reduction targets. At present, the status of its proposals is unclear. The Canadian federal government has repeatedly stated that it intends to align their GHG emission reduction policies with those of the United States, and it is willing to wait until the United States has developed its framework before implementing any policies here in Canada. As such, and given the current political climate in Washington, it is unclear if, when, or in what form, the Federal Plan will be implemented.

Several of the provinces and territories are working together with various American states to develop a cap and trade system. It remains to be seen whether the Canadian federal government would adopt such an approach, but given its statements regarding aligning policy with the United States, this will likely depend on whether the United States adopts a cap and trade system. No assurance can be given that either a modified Federal Plan or a North American cap and trade system will or will not be implemented, or what kinds of obligations may be imposed under such a system.

In February 2009, the United States and Canada established the 'Clean Energy Dialogue' in order for the two countries to collaborate on the development of clean energy science and technologies to reduce GHG emissions and combat climate change. A number of working groups have been created to develop recommendations for joint initiatives.

At the July 2009 G8 Summit in Italy, Canada and the other G8 members agreed to work together toward achieving at least a 50 percent reduction of global GHG emissions by 2050. Canada reiterated its commitment to this goal at the June 2010 G8 Summit in Huntsville, Ontario.

In December 2009, Canada participated in the COP 15 in Denmark, the goal of which was to reach a new agreement for fighting global climate change. COP 15 resulted in the non-binding Copenhagen Accord, whereby Canada and the other participating countries committed to implementing quantified economy-wide emissions targets by 2020. Canada submitted its GHG emission reduction targets on January 30, 2010, noting that: (a) its target is a 17 percent reduction from a baseline of 2005 emission levels (which target is aligned with the final economy-wide emissions target and base year of the United States); and (b) its submission is dependant on the other parties to the Copenhagen Accord submitting emissions targets and mitigation actions in accordance with such Accord.

There has been much public debate surrounding Canada's ability to meet emission reduction targets and the strategies proposed for controlling climate change and GHG emissions. It is likely that any such strategies which are eventually adopted by the Canadian government will materially impact the nature of oil and gas operations, including those carried out by Cequence. At present, it is not possible to predict the impact such strategies will have on the business, operations and/or finances of Cequence.

Alberta

Environmental legislation in the Province of Alberta has largely been consolidated into the *Environmental Protection and Enhancement Act* (Alberta), the *Water Act* (Alberta), and the *Oil and Gas Conservation Act* (Alberta). These statutes impose environmental standards, require compliance, reporting and monitoring obligations, and impose penalties. In addition, the emission reduction requirements in the *Climate Change and Emissions Management Act* (Alberta) came into effect on July 1, 2007. Under this legislation, Alberta facilities emitting more than 50,000 tonnes of GHG emissions per year must report such emission to Alberta Environment and Water and to Environment Canada while facilities emitting more than 100,000 tonnes of GHG emissions per year must reduce their emissions intensity by 12 percent. The Company has four options to choose from in order to meet the reduction requirements outlined in this legislation, and these are: making improvement to operations that result in reductions; purchasing emission credits from other sectors or facilities that have reduced their emissions below the required emission intensity reduction levels; purchasing off-set credits from other sectors or facilities that have emissions below the 100,000 tonne threshold and are voluntarily reducing their emissions in Alberta; or contributing to the 'Climate Change and Emissions Management Fund'. The Company can choose one of these options or a combination thereof, however it should be noted that the price of off-set credits could be raised, and the required reductions in GHG emissions intensity presently set forth can be increased to unspecified levels.

British Columbia

British Columbia's Oil and Gas Activities Act regulates the oil and gas industry, including imposing environmental standards, requiring compliance, reporting and monitoring obligations and imposing penalties.

On February 27, 2007, the Government of British Columbia unveiled the BC Energy Plan, which outlines the province's energy strategy. The BC Energy Plan sets targets for reducing GHG emissions, promoting investments in innovation, and sustainable environmental management. The BC Energy Plan's objectives are to achieve clean energy through conservation and energy efficient practices, and to increase competitiveness in order to attract new investment in the oil and natural gas industry. The changes proposed include: (i) the creation of policies and measures for the reduction of emissions; (ii) the elimination of routine flaring at producing wells; (iii) the establishment of the Innovative Clean Energy Fund, in order to find new technologies that will help solve energy and environmental issues; (iv) a new Oil and Gas Technology Transfer Incentive Program, which encourages the research, development and use of innovative technologies to responsibly develop new oil and gas reserves and increase recoveries from existing reserves; and (v) the development of unconventional resources such as tight gas and coalbed gas.

In furtherance of these initiatives, the Government of British Columbia introduced the *Carbon Tax Act* on July 1, 2008. The carbon tax applies to fuels such as gasoline, diesel, natural gas, propane and coal, and it is revenue-neutral, meaning tax revenues will be returned to taxpayers through reductions in other provincial taxes.

On April 3, 2008, the Government of British Columbia introduced the *Greenhouse Gas Reduction (Cap and Trade) Act*, which will allow participation in the Western Climate Initiative cap and trade systems being developed. The proposed system establishes a limit on GHG emissions, and allows regulated emitters to buy/sell GHG emission allowances or offset emits. The emitter is obliged to obtain GHG emission allowances (compliance units) which are equal to the amount of GHG emitted within a certain period of time, which are then to be surrendered to the British Columbia government as proof of compliance.

Pipeline Capacity

Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market natural gas production. In addition, the pro-rationing of capacity on the inter provincial pipeline systems also continues to affect the ability to export oil and natural gas.

The North American Free Trade Agreement

NAFTA became effective on January 1, 1994. NAFTA carries forward most of the material energy terms contained in the Canada U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions are justified under certain provisions of the General Agreement on Tariffs and Trade, and further provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of the energy resource (based upon the proportion prevailing in the most recent 36 month period or in such other representative period as the parties may agree), (ii) impose an export price higher than the domestic price subject to an exception with respect to certain measures which only restrict the volume of exports, and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum or maximum export or import price requirements, provided, in the case of export price requirements, prohibition in any circumstances in which any other form of quantitative restriction is prohibited, and in the case of import price requirements, such requirements do not apply with respect to enforcement of countervailing and anti dumping orders and undertakings.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements, which is important for Canadian natural gas exports.

Land Tenure

Crude oil and natural gas located in the western Canadian provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licenses and permits for varying periods and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments may at times restrict the movement of drilling rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. See "Risk Factors – Seasonal Impact on Industry" in this Annual Information Form.

LEGAL AND REGULATORY PROCEEDINGS

Strategic is not a party to any regulatory actions or legal proceedings nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the financial year ended December 31, 2011, nor is Strategic aware of any such contemplated regulatory actions or legal proceedings, which involve a claim for damages, exclusive of interest and costs, that may exceed 10 percent of the current assets of Strategic.

During the year ended December 31, 2011, there were no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Annual Information Form, no director, officer or principal Shareholder, nor any affiliate or associate of such a person, has or has had any material interest in any transaction or any proposed transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Strategic.

TRANSFER AGENT AND REGISTRAR

Valiant Trust Company, at its principal offices in Calgary, Alberta, is the transfer agent and registrar for Strategic's common shares.

INTERESTS OF EXPERTS

Reserve estimates contained in this Annual Information Form have been prepared by GLJ. As at December 31, 2011, the effective date of those estimates, and as of the date hereof, the principals, directors, officers and associates of GLJ, as a group, owned, directly or indirectly, less than one percent of the outstanding Shares.

The auditors of the Company, Meyers Norris Penny LLP, are independent with respect to the Company, in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Proxy Statement and Information Circular of the Company prepared in connection with the most recent annual meeting of Shareholders that involved the election of directors. Additional financial information is provided in the Company's financial statements and management discussion and analysis for the year ended December 31, 2011.

Copies of this Annual Information Form, any interim financial statements of the Company, the Company's Proxy Statement and Information Circular and other additional information relating to the Company are available on SEDAR at www.sedar.com.

APPENDIX "A"
AUDIT COMMITTEE CHARTER

Mandate

The primary function of the audit committee (the "Committee") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. The Committee's primary duties and responsibilities are to:

(1) serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;

(2) review and appraise the performance of the Company's external auditor;

(3) provide an open avenue of communication among the Company's auditor, financial and senior management and the Board of Directors; and

(4) report regularly to the Board of Directors the results of its activities.

Composition

The Committee shall be comprised of a minimum three directors as determined by the Board of Directors. If the Company ceases to be a "venture issuer" (as that term is defined in Multilateral Instrument 52-110 entitled "Audit Committees"), then all of the members of the Committee shall be free from any material relationship with the Company that, in the opinion of the Board of Directors, would interfere with the exercise of their independent judgment as a member of the Committee.

If the Company ceases to be a venture issuer then all members of the Committee shall also have accounting or related financial management expertise. All members of the Audit Committee should have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting or until their successors are duly elected. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet a least once quarterly, or more frequently as circumstances dictate or as may be prescribed by securities regulatory requirements. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditor in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

A. <u>Documents/Reports Review</u>

1. review and update this Audit Committee Charter annually;

2. review the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditor; and

3. review regular summary reports of directors and officers expense account claims at least annually. Establish and review approval policies for expense reports and, as required, request audits of expense claims and policies for expense approval and reimbursements. The Chairman of the Audit Committee or of the Compensation Committee to approve expense reports of the President and the CEO and the CEO to approve those of the directors and officers.

B. External Auditor

1. review annually, the performance of the external auditor who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company;

2. obtain annually, a formal written statement of external auditor setting forth all relationships between the external auditor and the Company;

3. review and discuss with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor;

4. take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;

5. recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditor nominated annually for shareholder approval;

6. recommend to the Board of Directors the compensation to be paid to the external auditor;

7. at each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;

8. review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;

9. review with management and the external auditor the audit plan for the year-end financial statements; and

10. review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    (a) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditor during the fiscal year in which the non-audit services are provided,

(b) such services were not recognized by the Company at the time of the engagement to be non-audit services, and

(c) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

C. Financial Reporting Processes

1. in consultation with the external auditor, review with management the integrity of the Company's financial reporting process, both internal and external;

2. consider the external auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;

3. consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditor and management;

4. review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments;

5. following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

6. review any significant disagreement among management. and the external auditor in connection with the preparation of the financial statements;

7. review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented;

8. review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;

9. review certification process;

10. establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;

11. establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and

12. on at least an annual basis, review with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or government agencies.

D. Authority

The Audit Committee will have the authority to:

1. review any related-party transactions;

2. engage independent counsel and other advisors as it determines necessary to carry out its duties;

3. to set and pay compensation for any independent counsel and other advisors employed by the Committee;

4. communicate directly with the auditors; and

5. conduct and authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel and other professionals to assist in the conduct of any investigation.