Strategic
OIL & GAS LTD.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2013 and 2012

Strategic Oil & Gas Ltd.

Condensed consolidated balance sheets (unaudited)

($000)	Note	March 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		**$ 6,293**	$ 2,510
Inventory		**715**	179
Trade and other receivables		**13,004**	8,972
		20,012	11,661
Property, plant, and equipment, net	6	**200,691**	136,928
Exploration and evaluation assets	5	**15,103**	11,129
Total Assets		**$ 235,806**	$ 159,718
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities		**$ 46,959**	$ 24,576
Bank debt	7	**47,850**	34,125
Decommissioning liabilities	8	**-**	263
Risk management contracts		**1,052**	224
		95,861	59,188
Long term Liabilities:			
Decommissioning liabilities	8	**32,321**	18,773
Total Liabilities		**$ 128,182**	$ 77,961
Shareholders' Equity			
Share capital	9	**152,280**	122,999
Contributed surplus		**7,915**	7,958
Deficit		**(52,571)**	(49,200)
		$ 107,624	$ 81,757
Total Liabilities and Shareholders' Equity		**$ 235,806**	$ 159,718

See accompanying notes to the Condensed Consolidated Financial Statements

Commitments (Note 16)

Strategic Oil & Gas Ltd.

Condensed consolidated statements of income (loss) and comprehensive income (loss)(unaudited)

($000, except per share amounts)	Note		Three months ended March 31 2013		2012
Revenue					
Petroleum and natural gas sales		**$**	**17,887**	$	11,204
Royalties			**(4,168)**		(2,047)
			13,719		9,157
Change in fair value of risk management contract			**(828)**		-
Settlement of risk management contracts			**52**		-
Other income			**70**		61
Revenues, net of royalties			**13,013**		9,218
Expenses					
Operating costs			**6,249**		3,137
Transportation			**1,249**		1,071
Exploration expenses	5		**-**		103
General and administrative			**1,905**		1,081
Finance costs	11		**603**		81
Stock-based compensation	10		**412**		948
Depletion, depreciation and amortization			**5,966**		4,460
			16,384		10,881
Loss before taxes			**(3,371)**		(1,664)
Deferred tax recovery			-		2,275
Net income (loss) and comprehensive (loss) income for the period		**$**	**(3,371)**	$	611
Net income (loss) per weighted average share					
Basic		**$**	**(0.02)**	$	0.00
Diluted		**$**	**(0.02)**	$	0.00
Weighted average shares outstanding - Basic	9(c)		**189,724**		187,014
Weighted average shares outstanding - Diluted	9(c)		**189,724**		188,038

See accompanying notes to the Condensed Consolidated Financial Statements.
Certain comparative figures have been reclassified to conform to the current year's presentation.

Strategic Oil & Gas Ltd.

Condensed consolidated statements of changes in shareholders' equity (unaudited)

($000)	Note		Share Capital		Contributed Surplus		Deficit		Total equity
Balance Jan 1, 2013		**$**	**122,999**	**$**	**7,958**	**$**	**(49,200)**	**$**	**81,757**
Issue of shares			29,000		**-**		**-**		**29,000**
Share issue costs	9(a)		(851)		-		-		(851)
Stock options exercised	9(b)		1,132		(455)		**-**		677
Stock based compensation			-		412		-		412
Net loss			-		-		**(3,371)**		(3,371)
Balance March 31, 2013		**$**	**152,280**	**$**	**7,915**	**$**	**(52,571)**	**$**	**107,624**

($000)	Note		Share Capital		Contributed Surplus		Deficit		Total equity
Balance Jan 1, 2012		**$**	**122,973**	**$**	**6,310**	**$**	**(44,294)**	**$**	**84,989**
Share issue costs	9(a)		(14)		-		-		(14)
Stock options	9(b)		325		(135)		**-**		190
Stock based compensation			-		948		-		948
Net income			-		-		611		611
Balance March 31, 2012		**$**	**123,284**	**$**	**7,123**	**$**	**(43,683)**	**$**	**86,724**

See accompanying notes to the Condensed Consolidated Financial Statements.

Strategic Oil & Gas Ltd.

Condensed consolidated statements of cash flows (unaudited)

			Three months ended March 31		
($000)	**Note**		**2013**		2012
Operating activities:					
Net income (loss) for the period		**$**	**(3,371)**	$	611
Non-cash items:					
Depletion, depreciation, and amortization			**5,966**		4,460
Accretion of decommissioning liabilities			**190**		78
Stock-based compensation			**412**		948
Unrealized loss on risk management contract			**828**		-
Exploration Expense			**-**		103
Deferred tax recovery			**-**		(2,275)
Gain on acquisition	4		**(61)**		-
Other non-cash items			**(6)**		(5)
Funds from operations		**$**	**3,958**	$	3,920
Expenditures on decommissioning liabilities		**$**	**(673)**	$	-
Changes in non-cash working capital			**(447)**		(1,784)
		$	**2,838**	$	2,136
Financing activities:					
Issue of common shares	9(b)	**$**	**29,000**	$	**-**
Increase in bank loan	7		**13,725**		-
Exercise of options			**677**		190
Share issuance costs	9(b)		**(851)**		(14)
		$	**42,551**	$	176
Investing activities:					
Expenditures – property, plant and equipment	6	**$**	**(45,681)**		(30,052)
Expenditures – exploration and evaluation assets	5		**(4,587)**		(907)
Acquisitions	4		**(10,098)**		-
Changes in non-cash working capital			**18,760**		9,779
		$	**(41,606)**	$	(21,180)
Increase (decrease) in cash and cash equivalents during the period		**$**	**3,783**	$	(18,868)
Cash and cash equivalents, beginning of the period			**2,510**		31,808
Cash and cash equivalents, end of the period		**$**	**6,293**	$	12,940

See accompanying notes to the Condensed Consolidated Financial Statements.

1. Corporate information

Strategic Oil & Gas Ltd. ("Strategic" or the "Corporation") was incorporated under the laws of the Province of British Columbia on December 30, 1987 and continued as an Alberta corporation on September 9, 2010. On March 29, 2006, Strategic incorporated a United States of America (USA) subsidiary, Strategic Oil & Gas, Inc. ("US Subsidiary") through which all oil and gas activities in the USA are conducted. ZinMac Inc. ("ZinMac"), a private oil and gas consulting corporation, was acquired on March 10, 2009, and Steen River Oil & Gas Ltd. ("Steen River"), a private oil and gas exploration and production corporation, was acquired on December 22, 2010 by Strategic. The Corporation amalgamated Zinmac and Steen River into Strategic Oil & Gas Ltd. on April 1, 2012.

Strategic Oil & Gas Ltd. is a publicly traded corporation whose shares are listed on the TSX Venture Exchange. The Corporation, together with its subsidiaries, (collectively referred to as the "Corporation") is engaged in the exploration for and development of petroleum and natural gas reserves in Western Canada with minor operations in the Western United States. The Corporation is headquartered in Canada at Suite 1100, 645 – 7th Avenue SW, Calgary, Alberta.

2. Basis of presentation

a) Statement of compliance:

These interim consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards ("IFRS"). These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim consolidated financial statements, including IAS 34, *Interim Financial Reporting*, and have been prepared following the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2012 except as described in *Note 3*. The disclosures provided below are incremental to those included with the annual consolidated financial statements are condensed herein or are disclosed on an annual basis only. Accordingly, these interim consolidate financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of May 27, 2013, the date of the Board of Directors approved the statements.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for cash and cash equivalents, certain share-based payment transactions and derivative financial instruments, which are measured at fair value.

c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency.

3. Changes in accounting policies

Effective January 1, 2013, the Corporation adopted the following IFRS pronouncements:

- IFRS 10 "Consolidated Financial Statements" supersedes IAS 27 "Consolidation and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities." This standard provides a single model to be applied in control analysis for all investees, including special purpose entities. The retrospective adoption of this standard does not have any impact on the Corporation's financial statements.

- IFRS 11 "Joint Arrangements" divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting. The retrospective adoption of this standard does not have any impact on the Corporation's financial statements.

- IFRS 12 "Disclosure of Interests in Other Entities" combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The retrospective adoption of the annual disclosure requirements of this standard does not have a material impact on the Corporation's annual financial statements.

- IFRS 13 Fair Value Measurement – IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

- IAS 27 "Separate Financial Statements" has been amended as a result of changes to IFRS 10. The retrospective adoption of these amendments does not have any impact on the Corporation's financial statements.

- IAS 28 "Investments in Associates and Joint Ventures" has been amended as a result of changes to IFRS 10 and IFRS 11. The retrospective adoption of these amendments does not have any impact on the Corporation's financial statements.

- The amendments to IAS 32 "Financial Instruments: Presentation" clarify the current requirements for offsetting financial instruments. The amendments to IFRS 7 "Financial Instruments: Disclosures" develop common disclosure requirements for financial assets and financial liabilities that are offset in the financial statements, or that are subject to enforceable master netting arrangements or similar agreements. The Corporation retrospectively adopted the amendments to both standards on January 1, 2013. The application of these amendments does not have any impact on the Corporation's financial statements, other than increasing the level of disclosures provided in the notes to the financial statements.

4. Acquisition

a) On February 28, 2013, the Corporation acquired oil and gas assets in northwest Alberta and the Northwest Territories ("Cameron Hills and Bistcho Assets") for a total cash consideration of $9.7 million.

($000)		March 31, 2013
Property, plant and equipment	$	23,874
Inventory		490
Decommissioning obligation assumed		(14,580)
Gain on acquisition		(61)
Purchase price paid in cash	$	9,723

b) On January 28, 2013, the Corporation acquired the remaining royalty interest in the Steen River asset in the amount of $0.375 million.

The purpose of the acquisition was to complement the Corporation's asset portfolio in Northern Alberta and the Northwest Territories, provide additional opportunities for improved operational efficiencies as well as increased drilling flexibility.

The Corporation has allocated the purchase price paid based on management's best estimates of fair values to the various assets acquired. The purchase price allocation to the fair values of the various assets acquired remains subject to final adjustments.

For the three months ended March 31, 2013, the Corporation recorded total revenues of $1.1 million and the net loss is $0.56 million in respect of the acquired assets, from date of acquisition.

The amount of revenue and net income of the Corporation inclusive of the acquisitions from January 1, 2013 to March 31, 2013, has not been disclosed as the production, revenue and expense information prior to the date of acquisition is not available and cannot be reliably estimated.

5. E&E assets

($000)		March 31, 2013		December 31, 2012
Opening balance	$	11,129	$	9,328
E&E expenditures		4,587		4,430
E&E expensed during the period		-		(30)
Amortization		(613)		(2,599)
Closing balance	$	15,103	$	11,129

During the three months ended March 31, 2013, the Corporation expensed $nil (2012 - $0.03 million) related to seismic expenditures on land which is not intended to be developed in the future.

6. Property, plant, and equipment

($000) Carrying value before accumulated depletion and depreciation		D&P assets		Office		Total
As at December 31, 2012	$	193,163	$	858	$	194,021
Additions		45,521		160		45,681
Acquisitions		24,249		-		24,249
Change in decommissioning costs		(814)		-		(814)
As at March 31, 2013	**$**	**262,119**	**$**	**1,018**	**$**	**263,137**

($000) Accumulated depreciation and depletion		D&P assets		Office		Total
As at December 31, 2012	$	56,582	$	511	$	57,093
Depreciation and depletion		5,300		53		5,353
As at March 31, 2013	**$**	**61,882**	**$**	**564**	**$**	**62,446**

($000) Net carrying value		D&P assets		Office		Total
As at December 31, 2012	$	136,581	$	347	$	136,928
As at March 31, 2013	**$**	**200,237**	**$**	**454**	**$**	**200,691**

Substantially all of the Corporation's development and production ("D&P") assets are located within Canada. The cost of property, plant and equipment includes amounts in respect of the provision for decommissioning obligations.

Future capital costs of $62.0 million (March 31, 2012 - $27.6 million) have been included in the depletable balance as at March 31, 2013. Depletion has been calculated using proved plus probable reserves. Major components account for $17.0 million (March 31, 2012 - $8.2 million) and are depreciated and tested for impairment separately.

7. Bank loan

The Corporation has a $100 million credit facility (the "Facility") with a Canadian Chartered bank, comprised of an $80 million revolving operating loan and a $20 million acquisition/development demand loan. Amounts outstanding under the Facility are repayable on demand, and bear interest at a rate of 0.5% to 2.5% over the bank's prime lending rate for prime loans, or at bankers' acceptance rates plus a stamping fee ranging from 1.75% to 3.75%, depending on Strategic's debt to cash flow ratio. The Facility is secured by a general security agreement including a floating charge on all lands. The Facility contains a financial covenant that requires the Corporation to maintain an adjusted working capital ratio of not less than 1:1, but for the purpose of the calculation the unused portion of the line is included in current assets and, the current portion of debt and risk management liabilities are both excluded from current liabilities. The Facility has a renewal date of May 1, 2013 and is currently being reviewed by the lender. As at March 31, 2013, the Corporation was in compliance with all covenants.

8. Decommissioning liabilities

Total future decommissioning liabilities are estimated based on the Corporation's net working interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. These costs are expected to be incurred over a range from 1 to 42 years, depending on the estimated reserve life. The undiscounted amount of the estimated costs at March 31, 2013 were $50.1 million (December 31, 2012 - $25.1 million). The estimated costs have been discounted at a risk free rate from 1.00% to 2.49% (December 31, 2012 – 1.12% to 2.37%) and an inflation rate of 2% (December 31, 2012 – 2%) was applied.

The following table reconciles the changes to the Corporation's decommissioning liabilities:

($000)		**March 31, 2013**		December 31, 2012
Balance beginning of the year	**$**	**19,036**	$	12,523
Liabilities incurred during the year		**70**		1,802
Liabilities acquired		**14,580**		4,356
Expenditures on existing liabilities		**(673)**		(202)
Change in estimated future cash flows		**(324)**		(113)
Change in discount rate		**(558)**		343
Accretion		**190**		327
Balance end of the year	**$**	**32,321**	$	19,036
Current liability		**-**		263
Long term liability	**$**	**32,321**	$	18,773

9. Share capital

a) Authorized

The Corporation is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding

	Number of shares		March 31, 2013 Amount
Balance beginning of the period	186,415,268	$	122,999
Exercise of options	788,333		1,132
Shares issued	23,200,000		29,000
Share issue costs	-		(851)
Balance end of the period	210,403,601	$	152,280

On March 20, 2013, the Corporation issued 23.2 million common shares via a private placement at a price of $1.25 per common share for gross proceeds of $29.0 million (net proceeds of $28.2 million after transaction costs). Of the $29.0 million gross proceeds, $18.9 million (15.2 million common shares) were acquired by entities that share a common director with the Corporation.

During the three months ended March 31, 2013, there were 788,333 stock options exercised for common shares of the Corporation, for total proceeds of $0.7 million.

c) Weighted average shares

	Three months ended March 31	
	2013	2012
Weighted average shares (basic)	**189,724**	187,014
Weighted average shares (diluted)	**189,724**	188,038

10. Stock-based compensation

The Corporation has a stock option plan under which officers, directors, consultants and employees are eligible to receive stock options. The Corporation may reserve for issuance under the plan up to 10% of the issued and outstanding common shares. Options granted under the plan generally have a term of five years and vest at terms to be determined by the directors. Vesting terms have varied from immediate vesting to a five year vesting period.

In the first three months ended March 31, 2013, the Corporation issued 710,000 common share options of which 485,000 will vest over three years and the remaining 225,000 will vest over five years.

The outstanding number and weighted average exercise price of stock options are as follows:

	Number of options		Weighted average Exercise Price
Balance - January 1, 2012	**6,780,333**	$	0.81
Issued	7,385,000		1.06
Exercised	(812,000)		0.47
Expired	(870,000)		1.05
Balance at December 31, 2012	**12,483,333**	$	0.96
Issued	710,000		1.24
Exercised	(788,333)		0.86
Balance at March 31, 2013	**12,405,000**	$	0.99

The following table sets out the outstanding and exercisable options as at March 31, 2013:

Outstanding Options			Exercisable Options	
Number of Options	Weighted Average Exercise Price	Weighted Average Life Years	Number of Options	Weighted Average Exercise Price
300,000	$ 0.25	0.94	300,000	$ 0.25
945,000	0.50	1.38	945,000	0.50
100,000	0.60	4.33	33,334	0.60
775,000	0.65	1.79	775,000	0.65
375,000	0.75	0.94	375,000	0.75
520,000	0.83	4.62	173,332	0.83
1,950,000	0.90	3.90	1,950,000	0.90
100,000	0.91	3.59	100,000	0.91
160,000	1.04	4.67	53,334	1.04
2,135,000	1.10	2.77	2,135,000	1.10
225,000	1.18	4.76	45,000	1.18
4,335,000	1.19	4.76	1,444,986	1.19
10,000	1.23	4.97	3,334	1.23
300,000	1.26	4.81	100,000	1.26
175,000	1.30	0.18	58,333	1.30
12,405,000	**$ 0.99**	**3.06**	**8,491,654**	**$ 0.91**

The fair value of the options granted was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted average inputs:

	Three months ended March 31	
	2013	2012
Assumptions		
Risk free interest rate (%)	**1.69**	2.56
Expected life (years)	**3.83**	5.00
Expected volatility (%	**83.21**	104.23
Forfeiture rate (%)	**6.52**	8.17
Weighted average fair value of options granted ($)	**1.04**	0.89

Forfeiture rate is calculated based on historical forfeiture data of the Corporation. The weighted average share price at the date of exercise for share options exercised during the three months ended March 31, 2013 was $1.27 (December 31, 2012 - $0.93).

11. Finance costs

	Three months ended March 31	
($000)	**2013**	2012
Interest expense	**$ 469**	$ 3
Foreign exchange gain realized	**(56)**	-
Accretion expense	**190**	78
Total	**$ 603**	$ 81

12. Supplemental cash flow information

	Three months ended March 31	
($000)	**2013**	2012
Interest paid	**$ 469**	$ 3
Total	**$ 469**	$ 3
Changes in non-cash working capital		
Trade and other receivables	**$ (4,032)**	$ (2,131)
Inventory	**(536)**	-
Inventory acquired	**490**	-
Accounts payable and accrued liabilities *(Note 1)*	**22,383**	10,121
	$ 18,305	$ 7,990
Operating	**(447)**	(1,784)
Investing	**18,760**	9,779
	$ 18,313	$ 7,995

Note 1: included in the accounts payable and accrued liabilities is $.0008 (2012-$.0005) of non-cash lease inducements.

13. Transactions with Related Parties

Legal fees in the amount of $0.22 million (March 31, 2012 - $0.07 million) were incurred to a legal firm of which a director is a partner, and are included as general and administrative expenses or share issue costs. Software charges of $0.05 million (March 31, 2012 - $0.03 million) were charged to a company controlled by an officer. Accounts payable and accrued liabilities at March 31, 2013 include $0.27 million (December 31, 2012 - $0.01 million) due to related parties. The above transactions were conducted in the normal course of operations and were recorded at exchange amounts which were agreed upon between the Corporation and the related parties.

14. Financial instruments and financial risk management

The Corporation's financial instruments include trade and other receivables, bank debt, accounts payable and accrued liabilities, other long term debt and commodity contracts. The carrying values of accounts receivable, accounts payable and accrued liabilities and bank debt approximate their fair values due to their relatively short periods to maturity.

The Corporation is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The fair value of bank debt is measured at level 1. The fair value of risk management contracts is measured at level 2.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities. The Corporation has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. The following presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and processes for measuring and managing commodity risks. Further quantitative disclosures are included throughout these financial statements.

a) Market risk

Market risk consists of interest rate risk, currency risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Corporation may use both financial derivatives and physical delivery sales contracts to manage market risks.

Commodity price risk

Commodity price risk is the risk that the fair value of assets or liabilities or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar. The Corporation may, in certain circumstances, enter into forward oil or natural gas sales contracts to mitigate commodity price risk.

At March 31, 2013, the following risk management contracts were outstanding with a mark-to-market liability value of $1.05 million (March 31, 2012 - $nil).

Financial WTI Crude Oil Contracts

Term		Contract Type	Volume (bbl/d)	Fixed Price ($/bbl)	Index
1-Jan-13	30-Jun-13	Swap	300	US$100.00	WTI - NYMEX
1-Jan-13	31-Dec-13	Swap	200	US$90.00	WTI - NYMEX
1-Jul-13	31-Dec-13	Swap	300	US$95.27	WTI - NYMEX
1-Feb-13	31-Dec-13	Swap	500	US$95.25	WTI - NYMEX
1-Feb-13	31-Dec-13	Swap	500	US$99.00	WTI - NYMEX
1-Jul-13	31-Dec-13	Option (1)	500	US$100.00	WTI - NYMEX
1-Jan-14	31-Dec-14	Option (1)	500	US$99.00	WTI - NYMEX

Note 1: The counterparty may elect to convert this option to a swap contract with the Corporation at the fixed price indicated.

In addition, Strategic has also entered into financial contracts to fix the WTI – Edmonton light oil price differential CAD$4.75/bbl on 1,000 bbl/day for April 1 to June 30, 2013.

The Corporation does not apply hedge accounting to these derivative instruments and they are recorded as fair value with changes in fair value included in profit or loss. For the three months ended March 31, 2013, Strategic recorded unrealized losses on financial instruments of $0.8 million (2012 - $nil).

The following table summarize the fair value as at March 31, 2013 and the change in fair value for the three months ended March 31, 2013:

($000s)	**March 31, 2013**	December 31,2012
Derivative liabilities, beginning of period	**$ (224)**	$ -
Unrealized change in fair value	**(828)**	(224)
Derivative liabilities, end of period	**$ (1,052)**	$ (224)

Net realized gains on derivatives for the three months ended March 31, 2013 were $0.05 million (March 31, 2012 - $nil).

Offsetting financial assets and liabilities

The Corporation's risk management contracts are subject to master agreements that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities simultaneously. The following table summarizes the gross asset and liability positions of the Corporation's financial derivatives that are offset on the balance sheet as at March 31, 2013 and December 31, 2012.

($000)		**March 31, 2013**				December 31,2012	
		Gross Amount	**Amount Offset**	**Net Amount**	Gross Amount	Amount Offset	Net Amount
Current asset	**$**	**541**	**(541)**	**$ -**	$ 380	(380)	$ -
Current liability		**(1,593)**	**541**	**(1,052)**	(604)	380	(224)
Net position	**$**	**(1,052)**	**-**	**$ (1,052)**	$ (224)	-	$ (224)

15. Capital management

Strategic considers its capital structure to include shareholders' equity and working capital including bank debt. The objectives of the Corporation are to maintain a strong balance sheet affording the Corporation financial flexibility to achieve goals of continued growth and access to capital. In order to maintain or adjust the capital structure, the Corporation may issue new common shares, issue new debt, or adjust exploration and development capital expenditures.

The Corporation monitors its capital program based on available funds, which is the combination of working capital (excluding risk management contracts) and remaining unused line of credit, as calculated below:

($000)	**March 31, 2013**	December 31, 2012
Current assets	**$ 20,012**	$ 11,661
Accounts payable and accrued liabilities	**(46,959)**	(25,063)
Net working capital surplus (deficit)	**(26,947)**	(13,402)
Total line of credit	**$ 100,000**	$ 48,500
Amount drawn	**(47,850)**	(34,125)
Authorized Letters of Guarantee	**(3,857)**	(20)
Unutilized line of credit	**48,293**	14,355
Net available funds	**$ 21,346**	$ 953

The Corporation's exploration and development activities are conducted primarily during colder weather, as ground conditions provide improved access to lease and more efficient execution of its capital expenditure activities. Significant expenditures are made during these periods and the related benefit is realized in future periods.

The increase in the net debt level can be attributed primarily to the significant capital expenditure including the acquisition during the period ended March 31, 2013 relative to the incremental operating income received to date.

16. Commitments

a) The Corporation has lease agreements for office space and office equipment resulting in the following commitments:

Year ended		($000)
2013	$	443
2014		338
2015		311
2016		10
	$	1,102