



Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

Strategic Oil & Gas Ltd.

Interim condensed consolidated balance sheets (unaudited)

(\$000) As at	Note	March 31, 2017	December 31, 2016
Assets			
Current Assets:			
Cash and cash equivalents		\$ 42,367	\$ 50,802
Term deposits	4	5,541	4,667
Trade and other receivables		4,162	3,580
Inventory		106	108
		52,176	59,157
Property, plant, and equipment, net	6	190,617	175,073
Exploration and evaluation assets	5	14,285	14,438
Total Assets		\$ 257,078	\$ 248,668
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities		\$ 11,617	\$ 8,393
Decommissioning liabilities	7	1,922	3,441
		13,539	11,834
Convertible debentures	8	88,626	84,489
Decommissioning liabilities	7	50,653	49,210
Total Liabilities		152,818	145,533
Shareholders' Equity			
Share capital	9	365,412	360,073
Equity component of convertible debentures	8	10,061	9,878
Contributed surplus		11,106	11,063
Deficit		(282,319)	(277,879)
		104,260	103,135
Total Liabilities and Shareholders' Equity		\$ 257,078	\$ 248,668

See accompanying notes to the Interim Condensed Consolidated Financial Statements

Strategic Oil & Gas Ltd.

Interim condensed consolidated statements of net loss and comprehensive loss (unaudited)

(\$000, except per share amounts)	Note	Three months ended March 31	
		2017	2016
Revenue			
Petroleum and natural gas sales		\$ 8,888	\$ 4,705
Royalties		(1,132)	(613)
Revenue, net of royalties		7,756	4,092
Finance income		122	20
		7,878	4,112
Expenses			
Operating		3,800	4,020
Transportation		294	129
General and administrative		1,279	1,417
Finance costs	11	3,009	1,833
Stock-based compensation	10	43	249
Depletion, depreciation and amortization		3,961	3,485
Change in fair value of conversion option		-	278
Gain on disposal of property, plant and equipment		-	(40)
		12,386	11,371
Operating loss before taxes		\$ (4,508)	\$ (7,259)
Deferred tax recovery	2a, 12	68	3,776
Net loss and comprehensive loss		\$ (4,440)	\$ (3,483)
Net loss per weighted average share			
Basic & Diluted		\$ (0.10)	\$ (0.13)

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

Strategic Oil & Gas Ltd.

Interim condensed consolidated statements of changes in shareholders' equity (unaudited)

(\$000)	Share Capital	Convertible Debenture Equity Component	Contributed Surplus	Deficit	Total Equity
Balance January 1, 2017	\$ 360,073	\$ 9,878	\$ 11,063	\$ (277,879)	\$ 103,135
Shares issued	5,750	-	-	-	5,750
Share issue costs	(411)	-	-	-	(411)
Stock based compensation	-	-	43	-	43
Equity component of convertible debentures	-	183	-	-	183
Net loss	-	-	-	(4,440)	(4,440)
Balance March 31, 2017	\$ 365,412	\$ 10,061	\$ 11,106	\$ (282,319)	\$ 104,260

(\$000)	Share Capital	Convertible Debenture Equity Component	Contributed Surplus	Deficit	Total Equity
Balance January 1, 2016	\$ 319,678	\$ -	\$ 10,558	\$ (311,121)	\$ 19,115
Stock based compensation	-	-	249	-	249
Equity component of convertible debentures	-	9,570	-	-	9,570
Net loss	-	-	-	(3,483)	(3,483)
Balance March 31, 2016	\$ 319,678	\$ 9,570	\$ 10,807	\$ (314,604)	\$ 25,451

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

Strategic Oil & Gas Ltd.

Interim condensed consolidated statements of cash flow (unaudited)

(\$000)	Note	Three months ended March 31	
		2017	2016
Operating activities:			
Net loss for the period		\$ (4,440)	\$ (3,483)
Non-cash items:			
Depletion, depreciation, and amortization		3,961	3,485
Stock-based compensation		43	249
Change in fair value of conversion option		-	278
Deferred tax recovery	12	(68)	(3,776)
Non-cash finance costs	11	2,887	1,107
Gain on disposal of property, plant and equipment		-	(40)
Expenditures on decommissioning liabilities		(1,668)	(488)
Change in non-cash working capital	13	(665)	1,194
Cash provided by (used in) operating activities		50	(1,474)
Financing activities:			
Issue of common shares		5,750	-
Share issuance costs		(411)	-
Repayment of bank loan		-	(42,857)
Repayment of promissory notes		-	(10,000)
Issue of debentures, net of transaction costs		(19)	92,556
Change in non-cash working capital	13	(93)	(136)
Cash provided by financing activities		5,227	39,563
Investing activities:			
Expenditures – property, plant and equipment		(18,037)	(3,851)
Expenditures – exploration and evaluation assets		(30)	(4,445)
Investment in term deposits		(874)	(4,570)
Proceeds on disposal of property, plant and equipment		-	15
Changes in non-cash working capital	13	5,229	1,294
Cash used in investing activities		(13,712)	(11,557)
Increase (decrease) in cash and cash equivalents during the period		(8,434)	26,532
Cash and cash equivalents, beginning of the period		50,802	3
Cash and cash equivalents, end of the period		\$ 42,367	\$ 26,535

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Strategic Oil & Gas Ltd.

Notes to the interim condensed consolidated financial statements (unaudited)
As at and for the three month period ending March 31, 2017 and 2016

1. Corporate information

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

2. Basis of presentation

a) Statement of compliance

These interim condensed consolidated financial statements (the “financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2016. The comparative condensed statement of loss has been adjusted to reflect a \$3.8 million deferred tax recovery recorded in 2016 (Note 12).

These financial statements were authorized for issue by the Board of Directors on May 15, 2017.

b) Basis of measurement

These financial statements are prepared using the same accounting policies and methods of computation as disclosed in the Company’s annual consolidated financial statements for the year ended December 31, 2016. There have been no changes in the application or use of estimates or judgments since December 31, 2016.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, the Company’s functional currency.

3. Significant accounting policies

a) Financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash on hand and other short-term highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value, with a maturity of 3 months or less.

Convertible debentures

The convertible debentures are a compound financial instrument, separated into liability and equity components. The liability component is recognized initially at the fair value of a similar liability that does not have an equity conversion option and the equity component is recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Any transaction costs are allocated to the liability and equity component in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debentures is

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measured at amortized cost and is accreted to the original principal balance using the effective interest method. The equity component is not remeasured subsequent to initial recognition.

Convertible debentures can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in the fair value. The equity component and the accreted liability component will be reclassified to share capital upon conversion. Any balance in the equity component of convertible debentures that remains after the settlement of the liability will be transferred to contributed surplus.

b) Future accounting policy changes

In April 2016, the IASB issued its final amendments to IFRS 15 “Revenue from Contracts with Customers,” which replaces IAS 18 “Revenue,” IAS 11 “Construction Contracts,” and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by the Company on January 1, 2018. The Company is developing a project plan and is currently in the process of reviewing its various revenue streams and underlying contracts with customers to determine the impact, if any, that the adoption of IFRS 15 will have on its financial statements, as well as the impact that adoption of the standard will have on disclosure.

In July 2014, the IASB completed the final elements of IFRS 9 “Financial Instruments.” The standard supersedes earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 “Financial Instruments: Recognition and Measurement.” IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39. The Company anticipates that adoption of IFRS 9 will result in changes to the classification of the Company’s financial assets but will not change the classification of the Company’s financial liabilities. The Company does not anticipate any material changes in the carrying values of the Company’s financial instruments as a result of the adoption of IFRS 9. The Company does not anticipate that the new impairment model will result in material changes to the valuation of its financial assets on adoption of IFRS 9. IFRS 9 also contains a new model to be used for hedge accounting. The Company does not currently apply hedge accounting to its risk management contracts and does not currently intend to apply hedge accounting to any of its existing risk management contracts on adoption of IFRS 9. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied on a retrospective basis by the Company on January 1, 2018.

In January 2016, the IASB issued IFRS 16 “Leases,” which replaces IAS 17 “Leases.” For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 “Revenue from Contracts with Customers.” The standard is required to be adopted either retrospectively or using a modified retrospective approach. IFRS 16 will be applied by the Company on January 1, 2019 and the Company is currently evaluating the impact of the standard on the Company’s financial statements.

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4. Term deposits

The Company has term deposits with a chartered bank for \$5.5 million, of which \$4.5 million is pledged (December 31, 2016 - \$4.7 million) as a collateral for outstanding letters of credit.

5. Exploration and evaluation ("E&E") assets

(\$000)	March 31, 2017	December 31, 2016
Opening balance	\$ 14,438	\$ 11,169
E&E expenditures	30	4,447
E&E transfer to Property, plant and equipment	-	(11)
Amortization for the period	(183)	(1,167)
Closing balance	\$ 14,285	\$ 14,438

6. Property, plant, and equipment ("PPE")

(\$000)			
Carrying value before accumulated depletion, depreciation and impairment	D&P assets	Office	Total
As at December 31, 2016	\$ 475,529	\$ 1,171	\$ 476,700
Additions	18,035	2	18,037
Change in decommissioning costs	1,286	-	1,286
As at March 31, 2017	\$ 494,850	\$ 1,173	\$ 496,023

(\$000)			
Accumulated depletion, depreciation and impairment	D&P assets	Office	Total
As at December 31, 2016	\$ 300,498	\$ 1,129	\$ 301,627
Depreciation and depletion	3,766	12	3,778
Depreciation and depletion capitalized to inventory	1	-	1
As at March 31, 2017	\$ 304,265	\$ 1,141	\$ 305,406

(\$000)			
Net carrying value	D&P assets	Office	Total
As at December 31, 2016	\$ 175,031	\$ 42	\$ 175,073
As at March 31, 2017	\$ 190,585	\$ 32	\$ 190,617

Substantially all of the Company's development and production assets are located within Canada. The cost of PPE includes the provision for decommissioning obligations. For the three month period ended March 31, 2017, \$0.3 million of general and administrative expenses – related to technical office staff that are directly involved in the Company's capital spending programs, were capitalized to PPE (\$0.2 million for the three month period ended March 31, 2016).

Future capital costs of \$156.9 million (March 31, 2016 - \$142.3 million) have been included in the depletable balance as at March 31, 2017. Major components costs – such as facilities and pipelines, which are depreciated separately, are \$57.5 million (March 31, 2016 - \$62.3 million) with a net carrying value of \$46.8 million (March 31, 2016 - \$52.5 million).

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7. Decommissioning liabilities

Total future decommissioning liabilities are estimated based on the Company's net working interest in all wells and facilities, the estimated costs to abandon and reclaim the wells, pipelines 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 up to 35 years, depending on the estimated reserve life. The undiscounted amount of the estimated costs at March 31, 2017 were \$96.1 million (December 31, 2016 - \$97.6 million). The estimated costs have been discounted at a risk free rate from 0.72% to 2.28% (December 31, 2016 - 0.78% to 2.34%) and an inflation rate of 2% (December 31, 2016 - 2%) was applied.

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

(\$000)	Three months ended March 31, 2017	Year ended December 31, 2016
Balance beginning of the period	\$ 52,651	\$ 53,889
Liabilities incurred during the period	655	530
Disposition of decommissioning liabilities	-	(25)
Expenditures on existing liabilities	(1,668)	(1,625)
Change in estimated future cash flows	(1)	2,284
Change in discount rate	632	(3,458)
Accretion	306	1,056
Balance end of the period	\$ 52,575	\$ 52,651
Current	1,922	3,441
Long term	\$ 50,653	\$ 49,210

In 2016, the change in estimated future cash flows is due to updated cost estimate of the decommissioning liability related to plant remediation at Steen River for \$2.6 million, expected to be expended by the end of 2048.

8. Convertible Debentures

On February 29, 2016, the Company issued secured senior convertible debentures (the "debentures") for gross proceeds of \$94.9 million (net proceeds of \$92.6 million after transaction costs). Of the \$94.9 million gross proceeds, \$58.8 million was purchased by entities controlled by a director of the Company and an additional \$4.1 million were purchased by directors and officers of the Company. The debentures have a five-year term, and bear an annual interest rate of 8.0%, payable semi-annually in arrears, with an option for the Company to pay the interest in an equivalent principal amount of debentures for the first two years. The debentures are convertible into common shares at a conversion price of \$1.80 per share, subject to adjustment in certain events. The debentures can be called prior to the maturity date by the Company if either a) the 90-day weighted average trading price of Strategic common shares is over \$7.20 per share, or b) anytime in the fifth year of the term.

The convertible debentures have been classified as a financial liability, net of issue costs and net of the equity component. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal, using a rate of 12% which was the estimated rate for debt with similar terms without conversion features.

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On August 31, 2016, \$3.6 million of debentures were issued as payment of interest in kind. Of the \$3.6 million, \$2.8 million were issued to entities controlled or jointly controlled by directors of the Company and an additional \$0.2 million were issued to directors and officers of the Company. The carrying amount of the financial liability of these convertible debentures was determined by discounting the stream of future payments of interest and principal, using a rate of 10.5%, the estimated rate for debt with similar terms without conversion features.

The maturity date and the other terms of these debentures are identical to the original convertible debentures other than the conversion price which is \$3.30 per share.

On February 28, 2017, \$3.7 million of debentures were issued as payment of interest in kind. Of the \$3.7 million, \$2.9 million were issued to entities controlled or jointly controlled by directors of the Company and an additional \$0.2 million were issued to directors and officers of the Company. The carrying amount of the financial liability of these convertible debentures was determined by discounting the stream of future payments of interest and principal, using a rate of 10.15% the estimated rate for debt with similar terms without conversion features.

The maturity date and the other terms of these debentures issued as payment of interest in kind are identical to the original convertible debentures other than the conversion price which is \$2.70 per share.

Below is a summary of the debt and equity components of the convertible debentures:

(\$000)	Convertible Debentures Component	Equity Component	Total
Balance at December 31, 2016	\$ 84,489	\$ 9,878	\$ 94,367
Additional debentures issued as payment in kind of interest	3,471	253	3,724
Issuance costs	(17)	(2)	(19)
Deferred tax recovery (Note 12)	-	(68)	(68)
Accretion expense	683	-	683
Balance at March 31, 2017	\$ 88,626	\$ 10,061	\$ 98,687

The liability component of all debentures issued is being accreted to the adjusted principal amount of \$102.2 million at maturity.

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9. Share capital

a) Authorized

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

b) Issued and outstanding

(\$000)	Number of shares (000)	Three months ended	
		March 31, 2017	
Balance beginning of the period	43,978	\$	360,073
Shares issued	2,396		5,750
Share issue costs	-		(411)
Balance end of the period	46,374	\$	365,412

On January 31, 2017, the Company issued a total of 2.4 million common shares via a brokered private placement offering (the "Private Placement") at a price of \$2.40 per common share for gross proceeds of \$5.7 million (net proceeds of \$5.3 million after transaction costs).

c) Weighted average shares

(000)	Three months ended March 31	
	2017	2016
Weighted average shares (basic and diluted)	45,549	27,116

For the three months ended March 31, 2017, outstanding stock options and convertible debentures were excluded from the calculations as they were anti-dilutive.

10. Stock-based compensation

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

	Number of options	Weighted average Exercise Price	
Balance at December 31, 2016	1,031,750	\$	8.20
Cancelled/Forfeited	(3,000)		10.90
Expired	(37,750)		18.00
Balance at March 31, 2017	991,000	\$	7.86

On April 7, 2017, the Company issued 1.523 million stock options to directors, officers, employees and consultants. Each option entitles the holder to acquire one common share of the Company for a period of five years at a price of \$2.65 per share.

Strategic Oil & Gas Ltd.

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The following table sets out the outstanding and exercisable options as at March 31, 2017:

	Outstanding Options			Exercisable Options	
	Number of Options	Weighted Average Exercise Price	Weighted Average Life Years	Number of Options	Weighted Average Exercise Price
	517,000	\$ 1.80	3.87	344,259	\$ 1.80
	262,750	8.39	2.43	262,750	8.39
	3,250	9.66	2.04	3,250	9.66
	5,500	12.27	0.37	5,500	12.27
	26,500	16.61	0.64	26,500	16.61
	2,000	19.55	1.33	2,000	19.55
	500	21.20	1.35	500	21.20
	154,750	23.14	0.76	154,750	23.14
	18,750	25.92	0.85	18,750	25.92
	991,000	\$ 7.86	2.83	818,259	\$ 9.14

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

Assumptions	Three months ended March 31	
	2017	2016
Risk free interest rate (%)		1.12
Expected life (years)		3.54
Expected volatility (%)		83.10
Forfeiture rate (%)		14.84
Weighted average fair value of options granted		0.99

There were no stock options issued in the three months ended March 31, 2017.

11. Finance costs

(\$000)	Three months ended March 31	
	2017	2016
Interest	\$ 20	\$ 726
Interest expense on convertible debentures – paid in kind	1,898	632
Interest expense on convertible debentures – cash portion	102	-
Accretion of decommissioning liabilities	306	267
Accretion on promissory notes	-	19
Accretion on debentures	683	189
Total finance costs	\$ 3,009	\$ 1,833

Strategic Oil & Gas Ltd.

Notes to the interim condensed consolidated financial statements (unaudited)

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12. Income taxes

For the three months ended March 31, 2017, the Company recorded a deferred tax liability of \$0.1 million (three months ended March 31, 2016 - \$3.8 million) related to the temporary difference between accounting and tax values of the equity component of convertible debentures issued during the period. As a result, the Company was able to realize \$0.1 million (March 31, 2016 - \$3.8 million) of previously unrecognized deferred tax assets and a corresponding deferred tax recovery.

13. Supplemental cash flow information

(\$000)	Three months ended March 31	
	2017	2016
Interest paid	\$ 21	\$ 726
Changes in non-cash working capital		
Trade and other receivables	(582)	(61)
Inventory	2	(4)
Accumulated depletion in inventory	1	(16)
Accounts payable and accrued liabilities	3,224	3,065
Interest paid in kind	(1,898)	(632)
Debentures issued as paid in kind interest (Note 8)	3,724	-
	\$ 4,471	\$ 2,352
Operating	(665)	1,194
Financing	(93)	(136)
Investing	5,229	1,294
	\$ 4,471	\$ 2,352

14. Transactions with related parties

For the three months ended March 31, 2017, legal fees in the amount of \$0.1 million (March 31, 2016 - \$0.1 million) were incurred with a legal firm of which a director is a partner, and these amounts are included as general and administrative expenses or share issue costs. Software rental of \$0.03 million (March 31, 2016 - \$0.05 million) were incurred with a company controlled by an officer. Accounts payable and accrued liabilities at March 31, 2017 include \$nil (December 31, 2016 - \$0.1 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 Company and the related parties.

15. Financial instruments and financial risk management

The Company's financial instruments include cash and cash equivalents, term deposits, trade and other receivables, accounts payable and accrued liabilities, convertible debentures and risk management contracts. The carrying value of cash and cash equivalents, term deposits, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity. The financial liability component of the convertible debentures has been recorded using the effective interest method based on interest at rates available to the Company.

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The Company 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 cash and cash equivalents is measured at level 1.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company 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 Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing commodity risks. Further quantitative disclosures are included throughout these financial statements.

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 Company may, in certain circumstances, enter into forward oil or natural gas sales contracts to mitigate commodity price risk.

There were no risk management contracts outstanding at March 31, 2017 and December 31, 2016.

16. Capital management

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

The Company monitors its spending programs based on available funds, which is working capital excluding risk management contracts and term deposits which are pledged as collateral for outstanding letters of credit.

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17. Commitments and contingencies

- a) The Company has lease agreements for office space and equipment and natural gas transportation resulting in the following commitments:

Year	Office	Gas transportation
2017	\$ 332	\$ 360
2018	391	211
2019	371	95
2020	1	75
2021	-	26
	\$ 1,095	\$ 767

- b) By the nature of its oil and gas operations in Northern Alberta, the Company is subject to numerous safety and environmental regulations, with which non-compliance may result in adverse financial impact. The Company mitigates these risks through the adherence to formal safety and environmental policies, as well as industry standard insurance coverage. The Company is currently remediating an environmental spill in the Marlowe area. While the Company believes it has recorded its best estimate of the impact of these contingencies in these financial statements, the ultimate outcome of these matters is uncertain.