

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report: \_\_\_\_\_

**Commission file number: 000-500934**

**STRATA POWER CORPORATION**

**(f/k/a/ Strata Oil & Gas Inc.)**

(Exact name of Registrant as specified in its charter)

**Alberta, Canada**

(Jurisdiction of incorporation or organization)

**10010 - 98 Street**

**PO Box 7770**

**Peace River, AB**

**T8S 1T3**

(Address of principal executive offices)

**877-237-5443**

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

The registrant has one class of Common Stock with 17,093,719 shares outstanding at December 31, 2018 and 17,093,719 as of March 28, 2019. No preferred shares are issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days. Yes  No

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards

Board

Other

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**STRATA POWER CORPORATION**  
**FORM 20-F ANNUAL REPORT 2018**

**TABLE OF CONTENTS**

[Oil and Gas Glossary](#)

[Introduction](#)

**Part I**

Item 1.	<a href="#">Identity of Directors, Senior Management and Advisers</a>	1
Item 2.	<a href="#">Offer Statistics and Expected Timetable</a>	1
Item 3.	<a href="#">Key Information</a>	1
Item 4.	<a href="#">Information on the Company</a>	10
Item 4A.	<a href="#">Unresolved Staff Comments</a>	16
Item 5.	<a href="#">Operating and Financial Review and Prospects</a>	16
Item 6.	<a href="#">Directors, Senior Management and Employees</a>	24
Item 7.	<a href="#">Major Shareholders and Related Party Transactions</a>	27
Item 8.	<a href="#">Financial Information</a>	29
Item 9.	<a href="#">The Offer and Listing</a>	30
Item 10.	<a href="#">Additional Information</a>	31
Item 11.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	37
Item 12.	<a href="#">Description of Securities Other Than Equity Securities</a>	38

**Part II**

Item 13.	<a href="#">Defaults, Dividend Arrearages and Delinquencies</a>	39
Item 14.	<a href="#">Material Modifications to the Rights of Security Holders and Use of Proceeds</a>	39
Item 15.	<a href="#">Controls and Procedures</a>	39
Item 16A.	<a href="#">Audit Committee Financial Expert</a>	40
Item 16B.	<a href="#">Code of Ethics</a>	41
Item 16C.	<a href="#">Principal Accountant Fees and Services</a>	42
Item 16D.	<a href="#">Exemptions from the Listing Standards for Audit Committees</a>	42
Item 16E.	<a href="#">Purchases of Equity Securities by the Issuer and Affiliated Purchasers</a>	42
Item 16F.	<a href="#">Change in Registrants Certifying Accountant</a>	42
Item 16G.	<a href="#">Corporate Governance</a>	42
Item 16H.	<a href="#">Mine Health and Safety, Conflict Minerals and Government Payments</a>	42

**Part III**

Item 17.	<a href="#">Financial Statements</a>	43
Item 18.	<a href="#">Financial Statements</a>	43
Item 19.	<a href="#">Exhibits</a>	43

[Signature Page](#)

44

Certifications

## OIL AND GAS GLOSSARY

<b>Term</b>	<b>Definition</b>
Basin	A depressed area where sediments have accumulated during geologic time and considered to be prospective for oil and gas deposits
Bitumen	Heavy, viscous crude oil
Bluesky Formation	The Bluesky is fine to medium grained, usually glauconitic, partly calcareous or sideritic, salt and pepper sandstone with fair porosity. Chert granules and pebbles occur near the top, with thin shale interbedded throughout. The thickness is 0-46 meters in the Peace River plains subsurface. It thins to the south and southeast
CHOPS	Cold Heavy Oil Production with Sand
Carboniferous	A series of stratified rocks and associated volcanic rocks which occur above the Devonian or Old Sandstone and below the Permian or Triassic systems belonging to the Carboniferous period
Cretaceous Period	A period occurring subsequent to the Jurassic period
Debolt Formation	Lies above the Elkton Formation and ranges from mid-to-upper Visean in age
Development	The phase in which a proven oil or gas field is brought into production by drilling production (development) wells
Drilling	The using of a rig and crew for the drilling, suspension, production testing, capping, plugging and abandoning, deepening, plugging back, sidetracking, re-drilling or reconditioning of a well
Drilling Logs	Recorded observations made of rock chips cut from the formation by the drill bit, and brought to the surface with the mud, as well as rate of penetration of the drill bit through rock formations. Used by geologists to obtain formation data
Exploration	The phase of operations which covers the search for oil or gas by carrying out detailed geological and geophysical surveys followed up where appropriate by exploratory drilling. Compare to "Development" phase
Jurassic Period	A period occurring subsequent to the Carboniferous period but prior to the Cretaceous period
Mineral Lease	A legal instrument executed by a mineral owner granting exclusive right to another to explore, drill and produce oil and gas from a piece of land
Porosity	The ratio of the volume of void spaces in a rock or sediment to the total volume of the rock or sediment
Reserves	Generally, the amount of oil or gas in a particular reservoir that is available for production
Reservoir	The underground rock formation where oil and gas has accumulated. It consists of a porous rock to hold the oil or gas, and a cap rock that prevents its escape.

## **FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 20-F contains forward-looking information. Forward-looking information includes statements relating to future actions, prospective products, future performance or results of current or anticipated products, sales and marketing efforts, costs and expenses, interest rates, outcome of contingencies, financial condition, results of operations, liquidity, business strategies, cost savings, objectives of management of Strata Power Corporation, formerly Strata Oil & Gas Inc. (hereinafter referred to as the “Company,” “Strata” or “we”) and other matters. Forward-looking information may be included in this Annual Report on Form 20-F or may be incorporated by reference from other documents filed with the Securities and Exchange Commission (the “SEC”) by the Company. One can find many of these statements by looking for words including, for example, “believes,” “expects,” “anticipates,” “estimates” or similar expressions in this Annual Report on Form 20-F or in documents incorporated by reference in this Annual Report on Form 20-F. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events, except as required by applicable law.

The Company has based the forward-looking statements relating to the Company’s operations on management’s current expectations, estimates and projections about the Company and the industry in which it operates. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that we cannot predict. In particular, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, the Company’s actual results may differ materially from those contemplated by these forward-looking statements. Any differences could result from a variety of factors, including, but not limited to general economic and business conditions, competition, and other factors, including those described in Item 3.D. “Risk Factors.”

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

#### A. Selected Financial Data

The following sets forth selected financial information of Strata Power Corporation prepared in accordance with accounting principles generally accepted in the United States for the fiscal years ended December 31, 2018, 2017, 2016, 2015 and 2014.

The selected financial information and operating information may not be indicative of Strata's future performance and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected financial data set forth below has been extracted from, and is qualified by reference, to the audited financial statements included herein at Item 18.

#### SELECTED OPERATIONS DATA (in U.S. dollars)

	Strata Power Corporation				
	Years Ended December 31,				
	2018	2017	2016	2015	2014
Revenue	\$ —	\$ —	\$ —	\$ —	\$ —
Operating Expenses	225,564	301,336	7,919,352	283,731	753,287
Other income (expense), net	239,576	581,297	586,878	(3,037,324)	(470,186)
Net income (loss)	\$ 14,012	\$ 279,961	\$ (7,332,474)	\$ (2,753,593)	\$ (283,101)
Basic income (loss) per common share:	\$ 0.00	\$ 0.02	\$ (0.56)	\$ (0.30)	\$ (0.03)
Diluted income (loss) per common share:	\$ 0.00	\$ 0.02	\$ (0.56)	\$ (0.30)	\$ (0.03)
Basic weighted average number of common shares outstanding	16,891,966	14,880,909	13,035,203	9,115,416	8,719,125
Diluted weighted average number of common shares outstanding	16,891,966	15,310,909	13,035,203	9,161,527	8,719,125

**BALANCE SHEET DATA**  
(in U.S. Dollars)

**Strata Power Corporation**  
**December 31,**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 11,894	\$ 18,591	\$ 7,881	\$ 2,541	\$ 118,873
Other current assets	894	945	3,025	1,164	176,806
Reclamation deposits	90,531	96,738	121,391	116,806	133,745
Oil and gas property interests	—	—	—	6,237,026	7,423,966
Total assets	103,319	116,274	132,297	6,574,998	7,853,390
Current liabilities	235,057	372,588	971,363	1,175,810	4,564,235
Asset retirement obligations	158,783	163,020	138,728	128,301	138,049
Additional paid-in capital	23,344,255	23,232,255	22,919,431	21,975,988	21,905,643
(Accumulated deficit) retained earnings	(23,231,764)	(23,245,776)	(23,525,737)	(16,193,263)	(18,946,856)
Accumulated other comprehensive income	(403,012)	(405,813)	(371,488)	(533,352)	192,319
Total liabilities and stockholders' equity	103,319	116,274	132,297	6,574,998	7,853,390

**Dividends**

We have never paid or declared dividends on our shares of common stock.

**Exchange Rates**

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in United States Dollars (USD\$). The Government of Canada permits a floating exchange rate to determine the value of the Canadian Dollar against the U.S. Dollar (US\$), therefore, this Annual Report may contain conversions of certain amounts in United States dollars into the Company's functional currency, Canadian dollars, based upon the exchange rate in effect at the end of the month or of the fiscal year to which the amount relates, or the exchange rate on the date specified. For such purposes, the exchange rate means the daily noon historical exchange rate as reported online by the Bank of Canada at <http://www.bankofcanada.ca/rates/exchange/daily-exchange-rates-lookup/> "U.S. dollar (noon)". These translations should not be construed as representations that the Canadian dollar amounts actually represent such United States dollar amounts or that Canadian dollars could be converted into United States dollars at the rate indicated or at any other rate.

The following table sets forth the exchange rates for the Canadian Dollar at the end of each of the five fiscal years ended December 31, 2018, 2017, 2016, 2015 and 2014, and the average rates for the period and the range of high and low rates for the period. The data for March 2018 and for each month during the most recent six months is also provided.

**Exchange Rates for Canadian Versus U.S. Dollars**

The exchange rate as of December 31, 2018 was CDN \$1.36 per U.S. \$1.00.

The exchange rate as of March 27, 2019 was CDN \$1.34 per U.S. \$1.00.

**Exchange Rates for Canadian Versus U.S. Dollars  
(High/low rates for latest six months)**

	High	Low
February, 2019	1.28	1.22
January, 2019	1.36	1.31
December, 2018	1.36	1.32
November, 2018	1.33	1.31
October, 2018	1.31	1.28
September, 2018	1.32	1.29

**Exchange Rates for Canadian Versus U.S. Dollars**

	Average (\$)
For the twelve months ended December 31, 2018	1.30
For the twelve months ended December 31, 2017	1.30
For the twelve months ended December 31, 2016	1.32
For the twelve months ended December 31, 2015	1.28
For the twelve months ended December 31, 2014	1.10

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the offer and use of proceeds**

Not applicable.

**D. Risk Factors**

An investment in the Company has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this Annual Report. If any of the following risks actually occur, our business, operating results and financial condition could be harmed, and the value of our stock could go down. This means you could lose all or a part of your investment.

**RISKS RELATING TO OUR COMPANY**

**1. We are an exploration stage company, with limited operating history, which raises substantial doubt as to our ability to successfully develop profitable business operations and makes an investment in our common shares very risky.**

Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered in establishing a business in the oil and natural gas industries. We have yet to generate any revenues from operations. There is nothing, at this time, in which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably. Our future operating results will depend on many factors, including:

- our ability to raise adequate working capital;
- success of our exploration and development;
- demand for natural gas and oil;
- the level of our competition;
- our ability to attract and maintain key management and employees; and
- our ability to efficiently explore, develop and produce sufficient quantities of marketable natural gas or oil in a highly competitive and speculative environment while maintaining quality and controlling costs.

To achieve profitable operations, we must, alone or with others, successfully execute on the factors stated above. If we are not successful in executing any of the above stated factors, our business will not be profitable and may never even generate any revenue, which make our common shares a less attractive investment and may harm the trading of our common shares.

**2. At this stage of our business, even with our good faith efforts, potential investors have a substantial risk of losing their investment.**

Because the nature of our business is expected to change as a result of shifts in the market price of oil and natural gas, competition, and the development of new and improved technology, management forecasts are not necessarily indicative of future operations and should not be relied upon as an indication of future performance.

Our management may incorrectly estimate projected occurrences and events within the timetable of its business plan, which would have an adverse effect on our results of operations and, consequently, make our common shares a less attractive investment and harm the trading of our common shares. Investors may find it difficult to sell their shares.

**3. If capital is not available to fund future operations, we will not be able to pursue our business plan and operations would come to a halt.**

Cash on hand is not sufficient to fund our anticipated operating needs for the next twelve months. We will require substantial additional capital to participate in the development of our properties, which have not had any production of oil or natural gas, as well as for acquisition and/or development of other producing properties. Because we currently do not have any cash flow from operations, we need to raise additional capital which may be in the form of loans from current shareholders and/or from private equity offerings. Our ability to access capital will depend on our success in participating in properties that are successful in exploring for and producing oil and gas at profitable prices. It will also be dependent upon the status of the capital markets at the time such capital is sought. Should sufficient capital not be available, the development of our business plan could be delayed and, accordingly, the implementation of our business strategy would be adversely affected. In such event, it would not be likely that investors would obtain a profitable return on their investments or a return of their investments at all.

**4. We are heavily dependent on Trevor Newton, our CEO and President. The loss of Mr. Newton, whose knowledge, leadership and technical expertise upon which we rely, would harm our ability to execute our business plan.**

Our success depends heavily upon the continued contributions of Trevor Newton, whose knowledge, leadership and technical expertise would be difficult to replace. Our success is also dependent on our ability to retain and attract experienced engineers, geoscientists and other technical and professional staff. We do not maintain any key person insurance on Mr. Newton or any of our officers and directors. If we were to lose his services, our ability to execute our business plan would be harmed and we may be forced to cease operations until such time, if ever, we could hire a suitable replacement for Mr. Newton.

**5. Volatility of oil and gas prices and markets could make it more difficult for us to achieve profitability and less likely for investors in our common shares to receive a return on their investment.**

Our ability to achieve profitability is substantially dependent on prevailing prices for natural gas and oil. The amounts and price obtainable for any oil and gas production that we achieve will be affected by market factors beyond our control. If these factors are not favorable over time to our financial interests, it is likely that owners of our common shares will lose their investments. Such factors include:

- worldwide or regional demand for energy, which is affected by economic conditions
- the domestic and foreign supply of natural gas and oil
- weather conditions
- domestic and foreign governmental regulations
- political conditions in natural gas and oil producing regions
- the ability of members of the Organization of Petroleum Exporting Countries to agree upon and maintain oil prices and production levels
- the price and availability of other fuels

**6. Drilling wells is speculative and often involves significant costs that may be more than our estimates. Any material inaccuracies in drilling costs, estimates or underlying assumptions will reduce the profitability of our business and will negatively affect our results of operations.**

Developing and exploring for natural gas and oil involves a high degree of operational and financial risk, which precludes definitive statements as to the time required and costs involved in reaching certain objectives. The budgeted costs of drilling, completing and operating wells are often exceeded and can increase significantly when drilling costs rise due to a tightening in the supply of various types of oilfield equipment and related services. Drilling may be unsuccessful for many reasons, including title problems, weather, cost overruns, equipment shortages and mechanical difficulties. Moreover, the successful drilling of a natural gas or oil well does not ensure a profit on investment. Exploratory wells bear a much greater risk of loss than development wells. A variety of factors, both geological and market-related, can cause a well to become uneconomical or only marginally economic such as:

- fires
- explosions
- blow-outs and surface cratering
- uncontrollable flows of oil, natural gas, and formation water
- natural disasters, such as hurricanes and other adverse weather conditions
- pipe, cement, or pipeline failures
- casing collapses
- embedded oil field drilling and service tools
- abnormally pressured formations
- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases

If we experience any of these problems, it could affect well bores, gathering systems and processing facilities, which could adversely affect our ability to conduct operations. We could also incur substantial losses as a result of the following:

- injury or loss of life
- severe damage to and destruction of property, natural resources and equipment
- pollution and other environmental damage
- clean-up responsibilities
- regulatory investigation and penalties
- suspension of our operations
- repairs to resume operations

**7. The unavailability or high cost of drilling rigs, equipment, supplies, personnel and other services could adversely affect our ability to execute on a timely basis our development, exploitation and exploration plans within our budget.**

Shortages or an increase in cost of drilling rigs, equipment, supplies or personnel could delay or interrupt our operations, which could impact our financial condition and results of operations. Drilling activity in the geographic areas in which we conduct drilling activities may increase, which would lead to increases in associated costs, including those related to drilling rigs, equipment, supplies and personnel and the services and products of other vendors to the industry. Increased drilling activity in these areas may also decrease the availability of rigs. We do not have any contracts with providers of drilling rigs and, consequently we may not be able to obtain drilling rigs when we need them. Therefore, our drilling and other costs may increase further and necessary equipment and services may not be available to us at economical prices.

**8. We are subject to complex laws and regulations, including environmental regulations, which can adversely affect the cost, manner or feasibility of doing business.**

Development, production and sale of natural gas and oil in Canada are subject to extensive laws and regulations, including environmental laws and regulations. We may be required to make large expenditures to comply with environmental and other governmental regulations. Matters subject to regulation include:

- location and density of wells
- the handling of drilling fluids and obtaining discharge permits for drilling operations
- accounting for and payment of royalties on production from state, federal and Indian lands
- bonds for ownership, development and production of natural gas and oil properties
- transportation of natural gas and oil by pipelines
- operation of wells and reports concerning operations
- taxation

Under these laws and regulations, we could be liable for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages. Failure to comply with these laws and regulations may also result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws and regulations could change in ways that substantially increase our costs. Accordingly, any of these liabilities, penalties, suspensions, terminations or regulatory changes could result in a material adverse effect on our financial condition and results of operations which could potentially force us to cease our business operations.

**9. Our oil and gas operations may expose us to environmental liabilities.**

If we experience any leakage of crude oil and/or gas from the subsurface portions of a well, our gathering system could cause degradation of fresh groundwater resources, as well as surface damage, potentially resulting in suspension of operation of a well, fines and penalties from governmental agencies, expenditures for remediation of the affected resource and liabilities to third parties for property damages and personal injuries. In addition, any sale of residual crude oil collected as part of the drilling and recovery process could impose liability on us if the entity to which the oil was transferred fails to manage the material in accordance with applicable environmental health and safety laws.

**10. Exploratory drilling involves many risks and we may become liable for pollution or other liabilities which may have an adverse effect on our financial position.**

Drilling operations generally involve a high degree of risk. Hazards such as unusual or unexpected geological formations, power outages, labor disruptions, blow-outs, sour gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labor and other risks are involved. We may become subject to liability for pollution or hazards against which we cannot adequately insure or may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

**11. The potential profitability of oil and gas ventures depends upon factors beyond our control.**

The potential profitability of oil and gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls or any combination of these and other factors, as well as responsive to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These changes and events may materially affect our financial performance.

**12. Our auditors' opinion on our December 31, 2018 financial statements include an explanatory paragraph in respect to there being substantial doubt about our ability to continue as a going concern.**

We have incurred an accumulated deficit of \$23,231,764 as of December 31, 2018. Our financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence. We anticipate generating losses for at least the next 12 months. Therefore, there is substantial doubt about our ability to continue operations in the future as a going concern. We will need to obtain additional funds in the future. Our plans to deal with this cash requirement include loans from existing shareholders, raising additional capital from the private sale of our equity securities or entering into a strategic arrangement with a third party. If we cannot continue as a viable entity, our shareholders may lose some or all of their investment in our company.

**13. If we do not maintain the property lease payments on our properties, we will lose our interest in the properties as well as losing all monies incurred in connection with the properties.**

We have two project regions in the Peace River region of Alberta, Canada consisting of oil sands leases, either acquired from the Government of Alberta or from third parties. The land packages are made up of a number of underlying individual leases. All of our leases require annual lease payments to the Alberta provincial government. See Item 4.D for a more detailed description of the property obligations. If we do not continue to make the annual lease payments, we will lose our ability to explore and develop the properties and we will not retain any kind of interest in the properties.

**14. We may not be able to compete with current and potential exploration companies, some of whom have greater resources and experience than we do in locating and commercializing oil and natural gas reserves.**

The natural gas and oil market is intensely competitive, highly fragmented and subject to rapid change. We may be unable to compete successfully with our existing competitors or with any new competitors. We compete with many exploration companies that have significantly greater personnel, financial, managerial and technical resources. This competition from other companies with greater resources and reputations may result in our failure to maintain or expand our business.

**15. We expect losses to continue in the future because we have no oil or gas reserves and, consequently, no revenue to offset losses.**

Based upon the fact that we currently do not have any oil or gas reserves, we expect to incur operating losses in the next 12 months. The operating losses will occur because there are expenses associated with the acquisition, exploration, and development of natural gas and oil properties that do not have any income-producing reserves. Failure to generate revenues may cause us to go

out of business. We will require additional funds to achieve our current business strategy and our inability to obtain additional financing will interfere with our ability to expand our current business operations.

**16. Because we are in the exploration stage of operations of our business, our securities are considered highly speculative.**

We are in the exploration stage of our business. As a result, our securities must be considered highly speculative. We are engaged in the business of exploring and, if warranted and feasible, developing natural gas and oil properties. Our current properties are without known reserves of natural gas or oil. Accordingly, we have not generated any revenue, nor have we realized a profit from our operations to date and there is reduced likelihood that we will generate any revenues or realize any profits in the very near term. Any profitability in the future from our business will be dependent upon locating and developing economic reserves of natural gas and oil, which itself is subject to numerous risk factors as set forth herein. Since we have not generated any revenue, we will have to raise additional funds through loans from existing shareholders, the sale of our equity securities or a strategic arrangement with a third party in order to continue our business operations.

**17. Since our Directors work for other natural resource exploration companies, their other activities could slow down our operations or negatively affect our profitability.**

Our Officers and Directors are not required to work exclusively for us and they do not devote all their time to our operations. In fact, our Directors work for other natural resource exploration companies. Therefore, it is possible that a conflict of interest with their time may arise based on their consulting or employment by such other companies. Their other activities could slow our operations and may reduce our financial results because of the slowdown in operations. It is expected that each of our Directors will devote the time necessary to assist with the operations of the Company as necessary.

## **RISKS RELATING TO OUR COMMON SHARES**

**18. We may, in the future, issue additional common shares, which would reduce our investors' percentage of ownership and may dilute our share value.**

Our Articles of Incorporation authorize the issuance of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. The future issuance of our unlimited authorized common shares may result in substantial dilution in the percentage of our common shares held by our then existing shareholders. We may value any common shares issued in the future on an arbitrary basis. The issuance of common shares for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors and might have an adverse effect on any trading market for our common shares.

**19. Our common shares are subject to the "Penny Stock" Rules of the SEC and we have no established market for our securities, which make transactions in our stock cumbersome and may reduce the value of an investment in our stock.**

Section 15(g) of the Securities Exchange Act of 1934, as amended, and Rule 15g-2 promulgated thereunder by the Commission require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. These rules may have the effect of reducing the level of trading activity in the secondary market, if and when one develops. Potential investors in the Company's common stock are urged to obtain and read such disclosures carefully before purchasing any shares that are deemed to be "penny stock." Moreover, the Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than USD \$5.00 per share or with an exercise price of less than USD \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- That a broker or dealer approve a person's account for transactions in penny stocks; and
- That the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- Obtain financial information and investment experience objectives of the person; and
- Make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form sets forth:

- The basis on which the broker or dealer made the suitability determination; and
- That the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common shares and may cause a decline in the market value of our stock.

Pursuant to the Penny Stock Reform Act of 1990, broker-dealers are further obligated to provide customers with monthly account statements. Compliance with the foregoing requirements may make it more difficult for investors in the Company's stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

**20. We are a "foreign private issuer" and you may not have access to the information you could obtain about us if we were not a "foreign private issuer".**

We are considered a "foreign private issuer" under the Securities Act of 1933, as amended. As a foreign private issuer, we will not have to file quarterly reports with the SEC nor will our Directors, Officer and 10% stockholders be subject to Section 16 of the Exchange Act. As a foreign private issuer, we will not be subject to the proxy rules of Section 14 of the Exchange Act. Furthermore, Regulation FD does not apply to non-U.S. companies and will not apply to us. Accordingly, you may not be able to obtain some of the information about us that you could obtain if we were not a "foreign private issuer."

**21. Because we do not intend to pay any cash dividends on our Common shares, our stockholders will not be able to receive a return on their shares unless they sell them.**

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common shares in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them.

**22. We may become a passive foreign investment company, or PFIC, which could result in adverse U.S. tax consequences to U.S. investors.**

If we are a "passive foreign investment company" or "PFIC" as defined by Federal tax laws, U.S. Holders will be subject to U.S. federal income taxation under one of two alternative tax regimes at the election of each such U.S. Holder. Federal tax laws define a PFIC as a corporation that is not formed in the United States and either (i) 75% or more of its gross income for the taxable year is "passive income", which generally includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if we elect, adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. Whether we are a PFIC in any year and the tax consequences relating to PFIC status will depend on the composition of our income and assets, including cash. U.S. Holders should be aware, however, that if we become a PFIC, we may not be able or willing to satisfy record-keeping requirements that would enable U.S. Holders to make an election to treat us as a "qualified electing fund" for purposes of one of the two alternative tax regimes applicable to a PFIC, which would result in adverse tax consequences to our shareholders who are U.S. citizens.

**23. Because we are organized under the Canada Business Corporations Act and all of our assets and certain of our Officers and Directors are located outside the United States, it may be difficult for an investor to enforce judgments obtained against us or our Officers and Directors within the United States.**

All of our assets are located outside of the United States and we do not currently maintain a permanent place of business within the United States. In addition, certain of our Directors and Officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for an investor to effect service of process or enforce within the United States any judgments obtained against us or our Officers or Directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. In addition, there is uncertainty as to whether the courts of Canada would recognize or enforce judgments of United States courts obtained against us or our Directors and Officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. There is even uncertainty as to whether the Canadian courts would have jurisdiction to hear original actions brought in Canada against us or our Directors and Officers predicated upon the securities laws of the United States or any state thereof.

**Item 4. Information on the Company**

## **A. History and Development of Strata Power Corporation**

Strata Power Corporation is a company principally engaged in the acquisition and exploration of oil and gas properties. We were incorporated under the laws of the State of Nevada on November 18, 1998 and commenced operations in January 1999. We completed our initial public offering in February 2000. On December 27, 2018, the Company filed a Certificate of Amendment with Corporations Canada changing its name from Strata Oil & Gas Inc. to Strata Power Corporation

The Company operates in the oil and gas industry with a focus on Canada's heavy oil and carbonate-hosted bitumen deposits. As of December 31, 2018, the Company has a 100% interest in 56 oil sands leases located in the Peace River oil sands area, totaling 58,368 hectares. The Company owns 3 non-producing wells on these leases. The Company also has a Metallic and Industrial Minerals Permit in Alberta, totaling 9,800 hectares.

### Continuance to Canada

We are presently incorporated under the Canada Business Corporations Act. On April 22, 2003, the Company filed a registration statement to affect a continuation of our corporate jurisdiction from the State of Nevada to Canada on Form S-4 with the United States Securities and Exchange Commission (SEC). The Form S-4 was declared effective on or about July 7, 2004. On September 13, 2004, Strata filed a Form 8-A with the SEC registering its class of common shares under Section 12(g) of the Exchange Act.

### Discontinued Operations

Until the end of June 2005, the Company had developed software that was designed to allow users to interface and manage databases and customer relationships. On June 29, 2005, a majority of the Company's shareholders approved a change in the business of the Company from software development to oil and gas exploration.

## **B. Business Overview**

Refer to Item 4.A "History and Development of Strata Power Corporation" for information regarding the Company's history and business activities.

### Business Description

The Company currently has interests in oil sands properties located in the Peace River oil sands region in Northern Alberta, Canada.

The Company is currently engaged in the acquisition, exploration and if warranted and feasible development of heavy oil projects in the Peace River oil sands region. However, there is no assurance that a commercially viable oil project will be developed on any of its land holdings. Further analysis and testing is required before a final evaluation as to the economic and technical feasibility of the projects is determined.

As of December 31, 2018, the Company has a 100% interest in 56 oil sands leases located in the Peace River oil sands area, totaling 58,368 hectares. The Company owns 3 non-producing wells on these leases. The Company also has a Metallic and Industrial Minerals Permit in Alberta, totaling 9,800 hectares.

### Material Effects of Government Regulation

The Crown owns and controls the mineral and hydrocarbon rights on Alberta lands and therefore the development, production and sale of oil in Alberta is subject to the laws and regulations of the Crown. The Crown makes available these rights on a lease basis and therefore, the oil sands leases held by the Company are on lands which are owned by the Crown and controlled by its agency, the Alberta Energy Regulator (AER). In order to maintain its oil sands leases, the Company must make significant expenditures on an annual basis to the Crown and also comply with its regulations. Matters subject to regulation include but are not limited to:

- location and density of wells
- obtaining permits for drilling and production
- accounting for and payment of royalties on production to the Crown
- transportation of oil
- operation of wells
- reporting of technical details to the Crown
- taxation

Under the Crown's laws and regulations, the Company could be liable for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages. Failure to comply with these laws and regulations could result in the suspension or termination of our operations and subject us to penalties. Moreover, these laws and regulations could change in ways that substantially affect our costs. Accordingly, any liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on our financial condition and results of operations which could potentially force us to cease our business operations.

#### Seasonality, Dependency upon Patents, Licenses, Contracts, Processes, Sources and Availability of Raw Materials

Certain of the Company's properties are in remote locations and subject to significant temperature variations and changes in working conditions. It may not be possible to actively explore the Company's properties in Alberta throughout the year due to changes in the weather. If exploration is pursued during certain seasons of the year, the Company may incur additional costs to address issues relating to weather.

Shortages or an increase in the cost of operational services including drilling rig services, equipment, supplies or personnel could delay or interrupt our operations, which could impact our financial condition and results of operations. Drilling activity in the geographic areas in which we conduct operations may increase, which may lead to increases in associated costs, including those related to operational services. Increased drilling activity in these areas may also decrease the availability of operational services. We do not have any contracts with providers of operational services and therefore we may not be able to obtain these services when we need them. Therefore, our operational costs may increase and necessary equipment and services may not be available to us at current prices.

#### COMPETITION

The oil industry is intensely competitive and subject to rapid change. We compete with many exploration and production companies which have significantly greater personnel, financial, managerial and technical resources which impacts our ability to compete successfully in the industry.

#### **C. Organizational Structure**

The Company is not part of a group and has no subsidiaries.

#### **D. Property, Plant and Equipment**

##### CORPORATE OFFICES

We do not own any real property. Our corporate offices are located at 10010 - 98 Street, PO Box 7770, Peace River, Alberta T8S 1T3. We believe that the facilities will be adequate for the foreseeable future.

##### OIL SANDS LEASES

As of December 31, 2018, the Company has a 100% interest in 56 oil sands leases located in the Peace River oil sands area, totaling 58,368 hectares. The Company owns 3 non-producing wells on these leases.

#### **Oil Sands Background**

"Oil Sands" refers to either unconsolidated, bitumen-saturated sands or bitumen-saturated carbonate-rock. Bitumen refers to a heavy, viscous crude oil that generally does not flow under natural reservoir conditions. As a result, it cannot be recovered from a conventional well in the way lighter oil is most often produced. The oil sands in Alberta are contained in three major areas in Alberta.

According to the Alberta Energy Regulator (AER), Alberta's oil sands are the third-largest proven crude oil reserve in the world, with total proven reserves of 166 billion barrels, and total recent production of up to 2.4 million barrels per day.

These deposits contain a significant amount of oil but only in recent decades has commercial production become economic. Extraction of oil from oil sands requires the input of significant amounts of thermal energy or other technology. There are two main types of oil sands production methods: surface mining and in-situ. Surface mining is accomplished using an open pit operation whereby the oil sands are excavated and trucked to a processing facility. For oil sands reservoirs too deep to support surface mining, a technique known as in-situ recovery is utilized. In-situ production recovers the oil through a well and utilizes thermal energy or other technologies to reduce the viscosity of the bitumen to allow it to flow to the well bore. There are some oil

sands reservoirs where primary or “cold” production is possible. The oil in these reservoirs is light enough to flow to the well without thermal treatment, utilizing either vertical or horizontal wells.

### **Carboniferous Oil Sands**

Carbonate oil sands, or carbonate-hosted bitumen, are unconventional resources that remain almost untapped. While much is known about Alberta’s vast sands-hosted bitumen resources, less is understood about a bitumen resource of similar magnitude which is hosted in carbonate rock directly beneath the sands. According to a report by Petroleum Technology Alliance Canada (PTAC), 26% of Alberta’s bitumen resources are contained in carbonate rather than sand formations. They are located in a roughly triangular 70,000 square-kilometer area of Alberta informally known as the Carbonate Triangle. The basic difference between sands and carbonates is that the former is bitumen mixed with unconsolidated sand, which can be either mined or produced from wells, whereas the latter is bitumen in carbonate rock. Currently, only pilot production of carbonate-hosted bitumen has taken place.

The Company has focused a portion of its efforts on the exploration and development of carbonate-hosted bitumen rather than just focusing on sand-hosted bitumen. The Company believes Alberta’s carbonate-hosted bitumen reservoirs represent an enormous and relatively untapped resource. The optimal means for producing bitumen from carbonates is still being studied, and there is unlikely to be a single Alberta-wide strategy for production. Cold production may be possible in some areas although in most cases production will require an in-situ treatment. Various technologies have been tested including similar technologies to those employed in the oil sands (cyclic steam, SAGD, and solvents.). There are several techniques which may prove to be effective. The Company is in the process of determining the most efficient means of producing bitumen from our projects.

### **Planned Work by the Company for 2019**

The Company plans to continue focusing its resources on the analysis and development of its Peace River oil sands properties.

### **PEACE RIVER OIL SANDS LEASES**

#### **Acquisition of Interest**

The Company has entered into a series of leases in multiple transactions with the Province of Alberta in the Peace River area of Alberta, Canada (the “Peace River Properties”). Some of the leases were acquired through a public auction process that requires the Company to submit sealed bids for land packages being auctioned by the provincial government. Upon being notified that it has submitted the highest bid for a specific land parcel, the Company immediately pays the Crown the bid price and enters into a formal lease agreement. The bid price includes the first year’s minimum annual lease payments. The remainder of the leases were acquired by third parties, however, all the Company’s leases are leased directly with the Crown.

The Peace River Properties consist of a total of 58,368 hectares of land in a region of northern Alberta known as the Peace River oil sands region. The leases are subject to royalties payable to the Government of Alberta. Alberta's oil sands royalty regime operates on the principle of revenue minus cost. Royalty is paid at one of two rates, depending on the project’s status. The deciding factor is the project’s payout date. A project has “reached payout” once its cumulative revenues have exceeded its cumulative costs. Before the payout date, the applicable royalty is 1% of the project’s gross revenue. This low rate recognizes the high costs, long lead times and high risks associated with oil sands investment. It prevents undue strain on the developer’s financial resources during the most critical, start-up stages of the project. After the payout date, the applicable royalty is the greater of 1% of the project’s gross revenue or 25% of the net revenue for the period.

#### **Location**

The Peace River Properties are located in the Peace River oil sands region in Alberta approximately 40 to 50 kilometers away from the town of Peace River, in both the Cadotte Lake area and also the Reno area.

#### **Peace River Projects**

The Peace River properties (hereinafter referred to as “Cadotte West”, “Cadotte Central”, “Cadotte East”, the “Cadotte Leases” and the “Reno Leases”) are comprised of 56 oil sands leases with the Government of the Province of Alberta, Canada. All of the leases are for an initial 15-year term (and may then be converted to non-expiring leases) and require minimum annual lease payments to the Crown. Each lease grants the Company the right to explore for, develop and produce hydrocarbons from the geological formations described in each lease.

#### **Regional Geology**

The Peace River Cretaceous clastic reservoir consists of a complex stratigraphy similar in nature to the Athabasca Deposit to the east. These are thought to comprise estuarine systems where the best reservoirs are contained in tidal inlet and barrier sands. Secondary reservoir targets may be tidal delta, bayhead delta, tidal channel, and tidal flat sands. The Peace River Carboniferous reservoir consists of platform sediments with relatively few reef building organisms. Structurally, the Peace River strata dip to the southwest and the elevation of the bitumen-bearing interval lies between 50 and 100 meters below sea level or at a depth of between 680 to 790 meters below the surface.

### **Property Geology (Cadotte Leases)**

Strata has focused its efforts on the bitumen and heavy oil resources contained in the Debolt/Elkton carbonate Carboniferous Formation and the Bluesky/Gething clastic Cretaceous Formation in the Cadotte and Reno areas.

The nature of the geology of the carbonate sequence in the Cadotte area has a significant influence on the distribution of the bitumen resource. The principal reference source for this section is the Alberta Research Council's publication, "Geological Atlas of the Western Canada Sedimentary Basin". The sequence that hosts the bitumen deposits is the Rundle Group of Lower Carboniferous age. The Rundle Group in this area includes three stratigraphic units which, in ascending order, are the Pekisko, Shunda and Debolt Formations. From place-to-place the Debolt Formation may also include another distinct unit, the Elkton Member. In the Cadotte area, the Elkton Member is usually present, as long as the overlying unconformity with the Cretaceous sequence has not eroded the entire Debolt Formation sequence. Although there are many intervals that are bitumen enriched in the Rundle sequence in the Cadotte area, the principal enrichment zones occur in the Elkton Member, the upper half of the Debolt but usually not right at the top of the formation and, to a lesser extent, in the Shunda Formation. The high-grade zones of enrichment are those that occur in the Elkton Member and the Debolt Formation.

A Cretaceous clastic sequence that includes the Gething and Bluesky Formations at the base, unconformably overlies the Carboniferous rocks in this area. All the beds dip gently to the west with those lying below the unconformity having a somewhat greater dip than those above it. This causes the sequence below the unconformity to be eroded to a greater degree to the east and to be less complete, compared with the west. These westerly dips may be the result of post-depositional tectonic events and may not reflect the original orientation of the accumulation of sediment. The Carboniferous sequence of the Rundle assemblage is believed to have accumulated as a result of a series of prograding events that developed in a southerly to southwesterly direction.

The Carboniferous sequence mainly includes platform sediments that show generally shallower-water characteristics up-section. In a basinward direction the depositional facies proceed from beach and lagoonal environments through shoals of the shelf margin to marine basin muds. The lithologies that result include high energy siliciclastics of the beach environment, through various types of carbonates on the platform and its slope to shale in the deep marine environment. There even appear to be beds present that have the character of unconsolidated coarse sediments. Several transgressive events therefore resulted in the accumulation of clastic sediments interbedded with carbonate units.

The carbonate units included relatively few reef building organisms and thus there was little tendency for irregular geological bodies such as reefs to form in this sequence in this area. From one well to the next the regular nature of the deposition that took place at this time is apparent and it is relatively easy to show the correlation that exists between the same units in adjacent wells in the target area. This feature of regular bed continuity is in strong contrast to the variability of the clastic units of the overlying Cretaceous sequence as seen in the Athabasca region.

It is also noteworthy that the bitumen enrichment is strongly influenced by the bedded nature and continuity of the sediments. It is readily possible in many cases to show the same details of the enriched sequence in adjacent wells even when they are spaced a kilometer or more apart. This has a strong impact on the selection of data separation distances for the classification of resources; in this sequence an equivalent assurance of existence is achieved with much wider spacing of wells than that used in the classification of bitumen resources for the Cretaceous surface mineable oil sands deposits near Fort McMurray in the Athabasca region of Alberta.

### **Previous Work**

During the winter drill season of 2006 – 2007, Strata drilled four wells on the Cadotte leases. Three of these wells were within the Cadotte Central Target Area and one was in the Cadotte East leases. Three wells were drilled with cores in the Cadotte Central Target Area, two of which were cased allowing for production testing with the ability to re-enter these wells for future testing. The other well was abandoned due to drilling fluid losses during drilling which did not allow the well to be cased for testing in the future. The fourth well drilled in the Cadotte East location was cored and cased. The cores of all of these wells were tested and examined in a laboratory in Calgary. The results of these tests were that cold production was not viable. However, the results

indicated that the bitumen would flow at approximately 85°C. These results will allow the Company to explore different means of extraction in addition to steam.

Former leaseholders have drilled wells on and around the Company's Cadotte and Reno areas. Geophysical well logs are of variable quality but generally consist of a full suite of tools to evaluate the potential reservoirs. With respect to available drilling data, the leases of the Cadotte area are drilled at an average spacing of one well per section. However, not all the existing wells were drilled to investigate the sequence located on the Company's Cadotte leases. The effective average spacing with wells that have penetrated the Carboniferous sequence is approximately 0.8 wells per section. This spacing is from twenty-three wells on or immediately adjacent to the leases. There are an additional two hundred nineteen wells in the surrounding area, the data from which has also been referenced and inspected by the Company to assist with its evaluation of the Cadotte leases.

However, the quality of the data from the wells of different vintage is quite variable. Several of the wells were drilled in the 1950's. The drilling records and logs for these wells are sometimes poor or absent or they may be less complete than those of more recently drilled wells. A database search was done to identify higher quality data which was restricted to wells drilled since 1970 and this, plus the new Strata wells was used as the primary reference data. A total of eighteen wells of this vintage are located on or immediately adjacent to the Cadotte lease blocks. The well log data from these wells is the primary source of information on the leases available for Strata's evaluations but this is supplemented by high quality data from a further thirty-nine more distant wells in the area.

In the United States, registrants, including foreign private issuers like us, are required to disclose proved reserves using the standards contained in Rule 4-10(a) of the United States Securities and Exchange Commission's ("SEC") Regulation S-X. The Company has no proved reserves at this time.

### **Cadotte Central and Cadotte West**

The Company completed the drilling of its first four wells in the winter drilling season of 2006 – 2007 and engaged Norwest Corporation ("Norwest") of Calgary, Alberta, Canada to assist Strata with the planning and undertaking of its exploration of the Cadotte leases. Subsequently, Strata completed the following technical reports relating to these leases:

**Evaluation of In-Place Bitumen Resources – Cadotte Central Leases** (August 16, 2007) [Norwest]

**Preliminary Feasibility Study of the Cadotte Central Leases** (February 29, 2008) [Norwest Questa]

**Pilot Projects: Carbonate-Hosted Bitumen Deposits in Alberta** (July 17, 2008) [Norwest]

**Cadotte Central Resource Reclassification (Upgrade)** (April 28, 2010) [Norwest]

**Evaluation of Bitumen Resources Cadotte Central and West Leases** (May 10, 2013) [Norwest]

These studies were designed to comply with the requirements of National Instrument 51-101 and the resource classification scheme and criteria elaborated in Volume 1, of the Canadian Oil and Gas Evaluation Handbook ("COGEH") at the time they were authored. However, since that time, COGEH standards have been modified and therefore Strata is no longer permitted to publicize the contents of these reports under Canadian Securities Regulations.

In the United States, registrants, including foreign private issuers like us, are required to disclose proved reserves using the standards contained in Rule 4-10(a) of the United States Securities and Exchange Commission's ("SEC") Regulation S-X. The Company has no proved reserves at this time.

Subsequent to these studies, Strata completed additional analyses including a study entitled "**Debolt Core Description and Interpretation**" by Dr. Hans G. Machel, and also a seismic study by Norwest entitled "**Seismic Study of Cadotte Leases**" to evaluate the Cadotte West property for heavy-oil recovery using cold production.

The latter study utilized existing well and seismic data and focused on different physical properties and technical aspects related to the identification of pools and fields on Strata's Cadotte West lands. The initial interpretation of the geological structure at Cadotte West resulted in the identification of cold production targets which were then validated by seismic data. The Company's technical team subsequently identified multiple drilling locations in order to test the extent to which the Bluesky Formation at Cadotte West has the fluid properties which permit the use of primary production methods.

In late 2014, Strata commenced initial planning and permitting activities needed to develop a drill program and continue exploration of the identified targets for the Cadotte West property. The Company engaged specialized third-party service provider(s) to assist with the development of a drill program which included the submission of an Oil Sands Exploration plan, the ("OSE") to the Crown. Elements of an OSE application include, but are not limited to, mapping and locating services, sensitive areas, wildlife zones, historical work in the area, site access, environmental services, exploration operations detail, and stake holder consultation and project management services. The OSE program approval was received in February 2015 granting the

Company two years from the date of issue to conduct its exploration program. Due to the oil market, the Company has not carried out its drilling program. At any point, the Company may update and resubmit its OSE plan to the Crown.

In 2018, Strata completed the following technical report relating to a portion of its oil sands leases:

**Evaluation of Bitumen Resources, Cadotte Lease Blocks** (November 19, 2018) [Gustavson Associates]

This study was prepared according to National Instrument 51-101 and the resource classification scheme and criteria elaborated in the Canadian Oil and Gas Evaluation Handbook (COGEH v. 2 - section 2.5.5, p. 2-71).

**Planned Work by the Company for 2019**

When adequate funding can be assembled, Strata intends to proceed with its drill exploration program and identified targets to test for cold production. The Company expects the short and long term funding of our oil and gas operations to be financed as in the past through equity in the form of private placements and warrant exercises. In addition, we continue to work with potential partners to discuss potential funding arrangements which could facilitate the furtherance of our drill program.

**Item 4A. Unresolved Staff Comments**

Not applicable.

**Item 5. Operating and Financial Review and Prospects**

**Management’s Discussion and Analysis of Financial Condition and Results of Operations**

Management’s Discussion and Analysis of Financial Condition ("MD&A") and Results of Operations should be read in conjunction with the accompanying audited financial statements for the fiscal years ended December 31, 2018, 2017 and 2016. These reports are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States, referred to in this Annual Report as US GAAP.

Certain statements contained in the MD&A and elsewhere in this Annual Report constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date the financial statements were made and readers are advised to consider such forward-looking statements in light of the risks set forth both below and prior in this report.

**A. Operating Results**

The following table sets forth a summary of our audited statement of operations for the fiscal years indicated:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating expenses	\$ 225,564	\$ 301,337	\$ 7,919,352
Other income	\$ 239,576	\$ 581,298	\$ 586,878
Net income / (loss)	\$ 14,012	\$ 279,961	\$ (7,332,474)
Earnings per share from continuing operations, basic	\$ 0.00	\$ 0.02	\$ (0.56)
Earnings per share from continuing operations, diluted	\$ 0.00	\$ 0.02	\$ (0.56)
Basic weighted average common shares outstanding	16,891,966	14,880,909	13,035,203
Diluted weighted average common shares outstanding	16,891,966	15,310,909	13,035,203

**REVENUES**

The Company did not earn any revenue for the year ended December 31, 2018, 2017 and 2016. We do not anticipate earning revenues until such time as we have entered into commercial production of our oil and gas properties. We can provide no assurance that we will discover commercially exploitable levels of oil or gas resources on our properties, or if such resources are discovered, that we will enter into commercial production of our oil and gas properties.

**Year ended December 31, 2018 compared to the year ended December 31, 2017**

**RESULTS OF OPERATIONS**

In 2017 and 2016, the Company focused its efforts on the acquisition of a portfolio of oil sands leases in the Cadotte and Reno areas of the Peace River. The leases totaled 39,680 hectares, more than doubling the Company's holdings.

The Reno leases are contiguous with Baytex Energy's lease block, an area that hosts extensive primary production of heavy oil. The other major contiguous lease blocks are held by Koch Exploration.

The Cadotte leases we acquired are contiguous with our existing Cadotte holdings or nearby. The area hosts extensive thermal production of bitumen, including CNRL's adjacent Peace River Thermal Complex.

The Company has thoroughly analyzed the entire property portfolio and prioritized the highest potential primary production targets.

During the years ended December 31, 2018, 2017 and 2016, we had net income of \$14,012, a net income of \$279,961 and net loss of (\$7,332,474), respectively. In the current year, we recognized a non-cash charge on impairment of oil & gas properties of \$137,329. For the years ended December 31, 2017 and 2016, we recognized an impairment expense of \$164,566 and \$7,831,570, respectively.

For the years ended December 31, 2018, 2017 and 2016, we recognized operating expenses, excluding the oil and gas impairment charge, of \$88,235, \$136,771 and \$87,783, respectively. Operating expenses from 2016 to 2017 increased \$48,988 primarily due to an increase in consulting fees. These fees did not occur at the same level in 2018 and thus, operating expenses declined by \$48,536 in 2018.

## INTEREST AND OTHER INCOME (EXPENSE)

Included in other income (expense) for the year ended December 31, 2018, is a gain of \$207,101 relating to the change in fair value of derivative liability resulting from a decrease in the fair value of the derivative liability. The decrease in derivative liability was the result of a decrease in the Company's stock price at December 31, 2018 compared to 2017 and the expiration of a significant amount of warrants. See Note 5 of the Financial Statements for more on the change in the derivative liability. The Company determined the fair value of the derivative liability to be \$54,626 as of December 31, 2018 based on an acceptable valuation model.

Included in other income (expense) for the year ended December 31, 2017, is a gain of \$538,826 relating to the change in fair value of derivative liability resulting from a decrease in the fair value of the derivative liability off-set by the issuance of common stock warrants. The decrease in derivative liability was the result of a decrease in the Company's stock price at December 31, 2017 compared to 2016. The Company determined the fair value of the derivative liability to be \$273,170 as of December 31, 2017 based on an acceptable valuation model.

## B. Liquidity and Capital Resources

(in U.S. dollars)

	As at December 31,		
	2018	2017	2016
Cash and cash equivalents	\$ 11,894	\$ 18,591	\$ 7,881
Working capital (deficit)	(222,270)	(353,052)	(960,457)
Net cash provided by (used in)			
Operating activities	48,422	(14,429)	(18,024)
Investing activities	(138,994)	(85,303)	(199,121)
Financing activities	100,000	176,052	223,000

As of December 31, 2018, we had \$11,894 in cash, a decrease of \$6,697 from December 31, 2017. Management estimates that the Company will require approximately \$525,000 to fund planned operations for the next twelve months. Therefore, current cash on hand is not sufficient to fund planned operations for 2018. Our policy is to pay all operational expenses when due, provided that the vendor, in the normal course of business, has satisfied all necessary conditions for payment.

We have no long-term debt. In 2019, our capital requirements will mostly be associated with the maintenance of our lease payments to the Crown. Going forward we expect the short and long-term funding of our oil and gas operations to be financed primarily through equity issuance in the form of private placements and the exercise of warrants. In addition, we continue to work with potential partners to discuss funding arrangements which would facilitate furtherance of our property interests. We believe that our available cash may not be sufficient to fund our working capital requirements to maintain, explore and develop our property interests for the next twelve months. We cannot be certain that any required additional financing will be available on

terms favorable to us as the risky nature of this enterprise and lack of tangible assets places debt financing beyond the credit-worthiness required by most banks or typical investors of corporate debt until such time as the economic viability of our oil sands properties can be demonstrated. If additional funds are raised by the issuance of our equity securities, existing stockholders will experience dilution of their ownership interest. If adequate funds are not available or not available on acceptable terms, we may be unable to continue, fund expansion, pursue further development nor respond to competitive pressures.

Net cash provided by (used in) operating activities during the years ended December 31, 2018, 2017 and 2016 was \$48,422, (\$14,429) and (\$18,024), respectively. The increase in cash provided by operations in 2018 was a result of \$110,000 deposit received from a related party by common director. The increase in cash used in operating activities in 2017 was primarily due to a decrease in operating expense.

Cash used in investing activities during the years ended December 31, 2018, 2017 and 2016 was \$138,994, \$85,303 and \$199,121, respectively. During 2017, the company acquired an additional 45 oil sands leases by entering into two purchase and sale agreements. During 2016, the Company acquired an additional 45 oil and gas properties leases for a total of 45,680 hectares in Northern Alberta, Canada. See Note 6 to the financial statements for more information.

The Company generated net cash inflows from financing activities of \$100,000 compared to \$176,052 and \$223,000 in 2017 and 2016, respectively. The Company raised \$100,000 in funds from a series of private placements during 2018. See Note 9 to the financial statements for more information.

We had cash of \$11,894 as of December 31, 2018. We anticipate that we will incur the following expenditures through the end of our next fiscal year:

- \$225,000 in connection with property lease payments and follow up analysis on the Company's oil sands properties;
- \$300,000 for operating expenses, including working capital, consulting fees, general and administrative, professional, legal and accounting expenses

We are an exploration stage company, with limited operating history, which raises substantial doubt as to our ability to successfully develop profitable business operations and makes an investment in our common shares very risky.

Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered in establishing a business in the oil and natural gas industries. We have yet to generate any revenues from operations. There is nothing at this time on which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably. Our future operating results will depend on many factors, including:

- our ability to raise adequate working capital;
- success of our exploration and development;
- demand for natural gas and oil;
- the level of our competition;
- our ability to attract and maintain key management and employees; and
- our ability to efficiently explore, develop and produce sufficient quantities of marketable natural gas or oil in a highly competitive and speculative environment while maintaining quality and controlling costs.

If capital is not available to fund future operations, we will not be able to pursue our business plan and operations would come to a halt and our common shares would be nearly worthless.

Cash on hand is not sufficient to fund our anticipated operating needs for the next twelve months. We will require substantial additional capital to participate in the development of our properties which have not had any production of oil or natural gas as well as for acquisition and/or development of other producing properties. Because we currently do not have any cash flow from operations we need to raise additional capital, which may be in the form of loans from current shareholders and/or from private equity offerings. Our ability to access capital will depend on our success in participating in properties that are successful in exploring for and producing oil and gas at profitable prices. It will also be dependent upon the status of the capital markets at the time such capital is sought. Should sufficient capital not be available, the development of our business plan could be delayed and,

accordingly, the implementation of our business strategy would be adversely affected. In such event it would not be likely that investors would obtain a profitable return on their investments or a return of their investments at all.

Volatility of oil and gas prices and markets could make it more difficult for us to achieve profitability and less likely for investors in our common shares to receive a return on their investment.

Our ability to achieve profitability is substantially dependent on prevailing prices for natural gas and oil. The amounts and price obtainable for any oil and gas production that we achieve will be affected by market factors beyond our control. If these factors are not favorable over time to our financial interests, it is likely that owners of our common shares will lose their investments. Such factors include:

- worldwide or regional demand for energy, which is affected by economic conditions
- the domestic and foreign supply of natural gas and oil
- weather conditions
- domestic and foreign governmental regulations
- political conditions in natural gas and oil producing regions
- the ability of members of the Organization of Petroleum Exporting Countries to agree upon and maintain oil prices and production levels
- the price and availability of other fuels

The potential profitability of oil and gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls or any combination of these and other factors, as well as responsive to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These changes and events may materially affect our financial performance.

#### **Critical Accounting Estimates:**

The preparation of the Company's financial statements requires management to make estimates and assumptions regarding future events. These estimates and assumptions affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities.

The Company follows the full cost method of accounting for natural gas and oil operations. Under the full cost method, all costs incurred in the acquisition, exploration and development of natural gas and oil reserves are initially capitalized into cost centers on a country-by-country basis. The Company's current cost centers are located in Canada. Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition, exploration and development activities.

Costs capitalized, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based upon the estimated net proved reserves, as determined by independent petroleum engineers. The percentage of total reserve volumes produced during the year is multiplied by the net capitalized investment plus future estimated development costs in those reserves. Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether an impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Under full cost accounting rules, capitalized costs, less accumulated amortization and related deferred income taxes shall not exceed an amount (the ceiling) equal to the sum of: (i) the after tax present value of estimated future net revenues computed by applying current prices of oil and gas reserves to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; (ii) the cost of properties not being amortized; and (iii) the lower of cost or estimated fair value of unproved properties included in the costs being amortized. If unamortized costs capitalized within a cost center, less related deferred income taxes,

exceed the ceiling, the excess shall be charged to expense and separately disclosed during the period in which the excess occurs. Amounts required to be written off shall not be reinstated for any subsequent increase in the cost center ceiling.

Estimates of undiscounted future cash flows that we use for conducting impairment tests are subject to significant judgment decisions based on assumptions of highly uncertain future factors, such as crude oil and natural gas prices, production quantities, estimates of recoverable reserves, and production and transportation costs. Given the significant assumptions required and the strong possibility that actual future factors will differ, we consider the impairment test to be a critical accounting procedure.

In accordance with ASC 410, Asset Retirement and Environmental Obligations, the fair value of an asset retirement cost, and corresponding liability, should be recorded as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. The Company has recorded an asset retirement obligation at December 31, 2018 and 2017 (Note 7) to reflect its legal obligations related to future abandonment of its oil and gas interests using estimated expected cash flow associated with the obligation and discounting the amount using a credit-adjusted, risk-free interest rate. At least annually, the Company will reassess the obligation to determine whether a change in any estimated obligation is necessary. The Company will evaluate whether there are indicators that suggest the estimated cash flows underlying the obligation have materially changed. Should those indicators suggest the estimated obligation has materially changed the Company will accordingly update its assessment.

Management has made significant assumptions and estimates determining the fair market value of stock-based compensation granted to employees and non-employees. These estimates have an effect on the stock-based compensation expense recognized and the contributed surplus and share capital balances on the Company's Balance Sheet. The value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. To date, all of our stock option grants have been to non-employees. Increases in our share price will likely result in increased stock option compensation expense. The Black-Scholes option-pricing model requires the input of subjective assumptions, including the expected term of the option award and stock price volatility. The expected term of options granted for the purposes of the Black-Scholes calculation is the term of the award since all grants are to non-employees. These estimates involve inherent uncertainties and the application of management judgment. An expected forfeiture rate of \$Nil was used in the recognition of compensation expense for those options not yet vested at December 31, 2018 and 2017.

These accounting policies are applied consistently for all years presented. Our operating results would be affected if other alternatives were used. Information about the impact on our operating results is included in the notes to our financial statements.

### **Valuation of Derivative Instruments**

US GAAP requires that embedded derivative instruments be bifurcated and assessed, along with free-standing derivative instruments such as warrants and stock-options to determine whether they should be considered a derivative liability and subject to re-measurement at their fair value. Warrants with such provisions will no longer be recorded to equity. The Company has issued freestanding warrants that are accounted for as derivative instrument liabilities because they are exercisable in a currency other than the functional currency of the Company and thus do not meet the "fixed-for-fixed" criteria of ASC 815-40-15. The warrants are exercisable in United States dollars and the Company's functional currency is the Canadian dollar. In estimating the appropriate fair value, the Company uses a Black-Scholes option pricing model.

### **Inflation**

We operate in Canada only, where inflation for our operational costs is at low levels (i.e. in the 2%-5% range).

### **Impact of Foreign Currency Fluctuations**

Primarily we hold our cash reserves in Canadian dollars. We incur the majority of our expenses and capital expenditures in Canadian dollars, however; we do have US transactions and therefore, an increase or decrease in the value of the Canadian dollar versus the U.S. dollar would have an effect on us. The Company also translates its financial statements from Canadian dollars to U.S. dollars for financial reporting purposes. Changes in the in the value of the Canadian dollar versus the U.S. dollar will have a direct impact on the financial information reported by the Company.

### **Government Policies**

We are subject to regulations of the Government of Canada and the Government of Alberta and British Columbia. Such regulations may relate directly and indirectly to our operations including production, marketing and sale of hydrocarbons, royalties, taxation, environmental matters and other factors. There is no assurance that the laws relating to our operations will not

change in a manner that may materially and adversely affect us, however, there has been no material impact on us from changes in such laws in the past three fiscal periods.

### C. Research and development, patents and licenses, etc.

See Item 4.B. “Business Overview”.

### D. Trends Information

There are no known trends other than those previously disclosed in this report.

### E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as of December 31, 2018 and December 31, 2017 or as of the date of this report.

### F. Tabular Disclosure of Contractual Obligations

The following table outlines contractual obligations at December 31, 2018.

Contractual Obligations	Payments due by period				
	<i>Total</i>	<i>Less than 1 year</i>	<i>1-3 years</i>	<i>4-5 years</i>	<i>More than five years</i>
Annual Oil Sands Lease Payments:					
Peace River property leases	481,824	212,352	236,992	15,680	16,800
Capital (Finance) Lease Obligations	–	–	–	–	–
Operating Lease Obligations	–	–	–	–	–
Purchase Obligations	–	–	–	–	–
Other Long-Term Liabilities Reflected on the Company’s Balance Sheet Under the GAAP of the primary financial statements	–	–	–	–	–
<b>Total</b>	<b>\$ 481,824</b>	<b>\$ 212,352</b>	<b>\$ 236,992</b>	<b>\$ 15,680</b>	<b>\$ 16,800</b>

The Peace River Project is currently comprised of 56 leases with the government of the Province of Alberta, Canada requiring annual lease payments of USD \$204,288. The leases are fifteen-year leases that expire beginning June 11, 2021 through January 6, 2026.

At December 31, 2018, the Company had trade payables and accrued liabilities of \$63,028. All of these obligations are due in less than one year.

At December 31, 2018, the Company had a derivative liability of \$54,626 that relates to warrants with an exercise price in a different currency than the Company’s functional currency (see Note 5 in the financial statements).

### G. Safe Harbor

This Annual Report contains forward-looking information. Forward-looking information includes statements relating to future actions, prospective products, future performance or results of current or anticipated products, sales and marketing efforts, costs and expenses, interest rates, outcome of contingencies, financial condition, results of operations, liquidity, business strategies, cost savings, objectives of management of the Company and other matters. Forward-looking information may be included in this Annual Report or may be incorporated by reference from other documents filed with the SEC by the Company. One can find many of these statements by looking for words including, for example, “believes,” “expects,” “anticipates,” “estimates” or similar expressions in this Annual Report or in documents incorporated by reference in this Annual Report. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events.

The Company has based the forward-looking statements relating to the Company’s operations on management’s current expectations, estimates and projections about the Company and the industry in which it operates. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that we cannot predict. In particular, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, the Company’s actual results may differ materially from those contemplated by these forward-looking statements. Any differences

could result from a variety of factors including, but not limited to, general economic and business conditions, competition, and other factors, including those described in Item 3.D. “Risk Factors.”

**Recent Accounting Pronouncements:**

Please refer to Note 3 of the Financial Statements.

**Item 6. Directors, Senior Management and Employees**

**A. Directors and Senior Management**

The directors, officers and other employees upon whose work the Company is dependent are as follows:

<u>Name</u>	<u>Position</u>	<u>Position Held Since</u>
Trevor Newton (1)	Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer, Secretary and Director	May 22, 2014
Michael Ranger	Director	July 11, 2012
Dave Mahowich	Director	June 16, 2017

(1) Mr. Newton was appointed as Chairman of the Board on May 22, 2014 and was appointed President, Chief Executive Officer, Chief Financial Officer, Secretary and Director on June 25, 2015.

Our Directors hold office until the next annual meeting of our shareholders or until their successors are duly elected and qualified. Shareholders elect Directors by vote in proxy or in person. None of our Directors have any family relationships with any of our other Directors or Executive Officers. Our Directors do not exercise independent supervision over management as there are no independent management positions. Set forth below is a summary description of the principal occupation and business experience of each of our Directors and Executive Officer for at least the last five years.

**TREVOR NEWTON** is the founder of Strata Oil & Gas and has been involved in the development of the company from the initial land acquisition and discovery stage, through to the present. He has assisted the company by establishing its corporate focus, assembling its team, and helping advance its core project. Mr. Newton is also a Director of Patriot Gold Corp., an OTC reporting issuer. Mr. Newton's corporate experience has primarily been in the resource sector, where he has assisted private and public companies in their financing, project acquisition, and development. Mr. Newton has a B.Sc. in Economics from the University of Victoria and an M.A. in Economics from Simon Fraser University.

**MICHAEL RANGER** is an experienced petroleum consultant with a prolific career providing services to an array of the world's largest oil companies. He has extensive oil sands & heavy oil evaluation and research experience in reservoir characterization, sedimentology and sequence stratigraphy of Athabasca, Wabasca, Cold Lake, Peace River and international oil sands regions. He has conducted and supervised numerous resource evaluation projects integrating core, outcrop and wireline logs. Recent major contracts include: Suncor Energy, Ross Smith Energy Group, Hatch Engineering, Golder Associates, Laracina Energy, Nexen, Statoil, Murphy Oil, Husky Oil, Brion Energy, Athabasca Oil Corp, Oilsands Quest, DMT Geoscience, ARC Resources, Marathon, Paramount Energy, Kennecott Canada, Total Canada, OPTI Canada, Koch Canada, Quadrise.

Dr. Ranger is currently an independent petroleum consultant and is a director of Canadex Resources Ltd. Prior to this, he served on the Scientific Advisory Board of Gushor Inc. from 2007 to 2009, and as a senior geologist at Gulf Canada Resources between 1977 and 1985. Dr. Ranger has a Ph.D. in Petroleum Geology from the University of Alberta, a MSc. Degree in Sedimentary Geology from Memorial University of Newfoundland, and a BSc. Geology from Concordia University. His professional affiliations include the American Association of Petroleum Geologists, Canadian Society of Petroleum Geologists and the Canadian Well Logging Society.

**DAVE MAHOWICH** has 27 years of experience in the oil and gas sector, including expertise in the Peace River oil sands region, where he oversaw drilling operations for Blackrock Ventures Inc. which was subsequently acquired by Shell Canada Ltd. for \$2.4 billion. After Blackrock was acquired, Mr. Mahowich managed drilling in the region for Shell Canada. Mr. Mahowich has drilled more than 300 wells in the Peace River region, with specific areas of expertise in cold production wells (CHOPS), multilateral horizontal wells, and SAG-D.

Mr. Mahowich's professional experience also includes drilling and completion program management, operations, oil field manufacturing, and business/assets development with a specific focus on heavy oil and bitumen plays.

## B. Executive Compensation

The following table shows compensation paid to the directors and members of its administrative, supervisory or management bodies of the Company for the most recently completed financial year.

Name	Title	Year	Salary	Bonus	Stock Options Granted	Other Annual Compensation	Restricted Stock Awarded	LTIP Payouts (\$)	All Other Compensation
Trevor Newton (1)	Director – Chairman, President, CEO, Secretary	2018	\$ 0	\$ –	–	\$ –	–	\$ –	\$ –
		2017	\$ 7,380	–	250,000	–	–	–	–
		2016	\$ 75,240 (2)	–	–	–	–	–	–
Michael Ranger (3)	Director	2018	\$ 9,346	–	–	–	–	–	–
		2017	\$ 5,131	–	70,000	–	–	–	–
		2016	\$ 12,662 (2)	–	–	–	–	–	–
Dave Mahowich (4)	Director	2018	–	–	–	–	–	–	–
		2017	–	–	90,000	–	–	–	–
		2016	–	–	–	–	–	–	–

(1) Trevor Newton was appointed Chairman of the Board of Directors on May 22, 2014.

(2) The Company and Mr. Newton agreed to issue stock in lieu of cash for the amount owed of \$75,240 by issuing restricted common stock of the Company totaling 234,950 shares. The Company and Dr. Ranger agreed to issue stock in lieu of cash for a portion of the amount owed of \$7,448 by issuing restricted common stock of the Company.

(3) Michael Ranger was appointed Director on July 11, 2012

(4) Dave Mahowich was appointed Director on June 16, 2017.

### Change of Control Remuneration.

The Company had no plans or arrangements with respect to remuneration received, or that may be received by executive officers of the Company in 2018, to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control.

### 6.C. Board Practices

#### 6.C.1. Terms of Office.

Refer to Item 6.A.1.

#### 6.C.2. Directors' Service Contracts.

Mr. Newton, President, CEO, Secretary and Director supervises the Company's operations. Mr. Newton does not bill the Company for these services, however he does have a service agreement with the Company. Pursuant to this agreement, the Company recognized consulting expenses for December 31, 2018 and 2017 of \$9,000 and \$7,380, respectively. For December 31, 2016, the Company capitalized oil and gas exploration costs of \$75,240 as of December 31, 2016, under this agreement. The agreement does not provide for termination benefits of any kind.

Dr. Ranger, Director, has a service agreement with the Company for his Director services. Dr. Ranger does not receive compensation for his services as a member of the board; however, he has a service agreement with the Company, including consulting time and expense reimbursement. Pursuant to this agreement, the Company recognized consulting expenses and an accrued liability of \$9,346 and \$5,131 for the years ended December 31, 2018 and 2017, respectively. For the year ended December 31, 2016, the Company capitalized oil and gas exploration costs and an accrued liability of \$12,662. The Company and Dr. Ranger agreed to issue stock in lieu of cash for a portion of his services billed in the amount of \$7,448. The agreement does not provide for termination benefits of any kind.

#### 6.C.3. Board of Director Committees.

The Audit Committee oversees the accounting and financial reporting processes of the Company and all audits and external reviews of the financial statements of the Company on behalf of the Board, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Company. The Committee reviews, on a continuous basis, any reports prepared by the Company's external auditors relating to the Company's accounting policies and procedures, as well as internal control procedures and systems. The Committee is also responsible for examining all financial information, including annual financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The Audit Committee also oversees any complaints and concerns regarding accounting, internal controls or auditing matters and the resolution of issues identified by the Company's external auditors. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders and the compensation of the auditors. The Audit Committee meets on an as needed basis. Currently the Board of Directors functions as the audit committee.

#### 6.D. Employees

The Company utilizes third party consultants and had no full-time employees on December 31, 2018 or during the 2017 fiscal year. It is anticipated that we will need to add managerial, technical and administrative staff in the future in order to realize our business objectives. We currently outsource to outside engineers, geologists and other third-party consultants on an as-needed basis.

#### 6.E. Share Ownership

The table below indicates the ownership of outstanding shares of the Company held by each of our officers and directors as of March 28, 2019. Information relating to ownership of common shares by officers and directors is based upon information furnished by each person.

<b>Beneficial Owner</b>	<b>Shares</b>	<b>Percent of total issued % (1)</b>	<b>Options</b>
Trevor Newton (2)	6,184,358(3)	36.18%	210,000
Michael Ranger (4)	23,258	0.14%	110,000
Dave Mahowich (5)	—	—	90,000
All Executive Officers and Directors as a Group	6,207,616	36.32%	410,000

(1) Based on 17,096,719 shares of common stock issued and outstanding as of March 28, 2019.

(2) Mr. Newton was awarded 250,000 stock options at an exercise price of \$0.05 on November 12, 2017. Mr. Newton exercised 240,000 stock options at an exercise price of \$0.05 on February 18, 2018. All stock options are fully vested.

(3) Includes 4,443,024 common shares held indirectly by Mr. Newton.

(4) Dr. Michael Ranger was awarded 20,000, 20,000 and 70,000 stock options to purchase common shares of the Company at an exercise price of \$0.70, \$1.40 and \$.05 on July 11, 2012, July 11, 2012 and November 12, 2017, all which are fully vested.

(5) Dave Mahowich was awarded 90,000 stock options to purchase common shares of the Company at an exercise price of \$0.05 on June 16, 2017, of which 60,000 are fully vested.

### **Item 7. Major Shareholders and Related Party Transactions**

#### **7.A. Major Shareholders**

##### 7.A.1.a. Holdings by Major Shareholders.

The table below indicates the share ownership as of March 28, 2019 of any person or entity that management believes is the beneficial owner of more than 5% of our outstanding common shares.

<b>Major Shareholders</b>	<b>Number of Shares</b>	<b>Beneficial Ownership (%)</b>
<b>T. Newton</b>	6,184,358	36.17%
<b>Patriot Gold Corp.</b>	2,760,260	16.15%

#### 7.A.1.b. Significant Changes in Major Shareholders' Holdings.

None

#### 7.A.1.c. Different Voting Rights.

The Company's major shareholders do not have different voting rights.

#### 7.A.2 Share Ownership.

On March 28, 2019, the Company had one hundred seventy-nine (179) registered shareholders holding 17,093,719 shares. Of these, one hundred forty-six (146) registered shareholders holding 9,496,140 common shares have addresses in the United States.

#### 7.A.3 Ownership or Control of the Company.

The Company is not, directly or indirectly, owned or controlled by another corporation, foreign government or natural or legal person, severally or jointly.

#### 7.A.4. Change of Control of Company Arrangements.

There is no arrangement known to the Company which may, at a subsequent date, result in a change in control of the Company.

### **7.B. Related Party Transactions**

#### Stock purchases

During the year ended December 31, 2018, 2017 and 2016 the Company received total proceeds of \$100,000, \$176,052 and \$76,000, respectively from private placements for common shares issued to a related party by common director. The number of shares issued in connection with these transactions were 1,000,000, 1,380,260 and 380,000, respectively. In addition, the President of the Company exercised 240,000 of his options for \$12,000, of which \$9,000 was in lieu of cash compensation for consulting services and \$3,000 resulted from the settlement of an accrued liability.

#### Deposit on Royalty Agreement

The Company is in negotiations regarding a royalty agreement with a related party by common CEO and director. In exchange for a non-refundable payment of \$300,000, the Company intends to provide a royalty stream to this related party based on the gross production of Vanadium Oxide ("Vanadium") from 19 of the company's 56 the oil sands leases. For each barrel of bitumen produced from the specified oil sands until March 21, 2039, or upon termination of mining, whichever is earlier, the Company will pay a royalty equal to 25 grams of Vanadium per barrel of bitumen produced, multiplied by the price of Vanadium Pentoxide 98% min in-warehouse Rotterdam published on the last business day of the month in which the gross production of bitumen occurred. As of December 31, 2018, this related party has paid the Company a deposit of \$110,000, which is recorded as a Deposit on Royalty Agreement. Upon execution of this agreement, the remaining \$190,000 will be paid in installments throughout the next 15 months, with the final \$50,000 payment on March 30, 2020.

#### Notes payable to related party

In December 2015, the Company borrowed \$6,553 (\$9,000 Canadian) under a note agreement with related parties. The lenders were related parties through an immediate family relationship with officers or directors of the Company and a common director. The note payable bore interest at the Bank of Canada Prime rate plus 1%. The Company could repay the loan and outstanding interest thereon by giving notice to the lender 15 days prior to the anticipated repayment. At December 31, 2018, the effective interest rate on these notes payable was 4.95%. The balance of note payable to related parties at December 31, 2018 and 2017 was \$7,403 and 7,718, respectively. The Company recognized interest expense of \$315, \$282 and \$264 for the years ended December 31, 2018, 2017 and 2016, respectively, in its Statement of Operations and Comprehensive Income (Loss).

#### Consulting fees

Mr. Newton is the President and a member of the Board of Directors of the Company. Mr. Newton does not bill the Company for his services as President; however, he has a service agreement with the Company. Pursuant to this agreement, the Company capitalized oil and gas exploration costs and an accrued liability of \$75,240 as of December 31, 2016. In 2017, the Company and Mr. Newton agreed to issue stock in lieu of cash for the amount of \$75,240 by issuing restricted common stock of the Company.

Dr. Michael Ranger is a member of the Board of Directors of the Company. Dr. Ranger does not receive compensation for his services as a member of the board; however, he has a service agreement with the Company, including consulting time and expense reimbursement. Pursuant to this agreement, the Company recognized consulting expenses and an accrued liability of \$9,346 and \$5,131 for the years ended December 31, 2018 and 2017, respectively. For the year ended December 31, 2016, the Company capitalized oil and gas exploration costs and an accrued liability of \$12,662. In 2017, the Company and Dr. Ranger agreed to issue stock in lieu of cash for a portion of his services billed in the amount of \$7,448.

### 7.C. Interests of Experts and Counsel

Not applicable.

## Item 8. Financial Information

### A. Financial Statements and Other Financial Information

The Company's financial statements are stated in United States Dollars and are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The financial statements, as required under Item 18, are included in that item. The audit report of Fruci & Associates II, PLLC is included herein immediately preceding the financial statements.

#### Audited Financial Statements:

Fiscal years ended December 31, 2018, 2017 and 2016.

#### 8.A.7. Legal/Arbitration Proceedings

The Company is not involved in any legal proceedings which subject it to any contingent liabilities.

#### 8.A.8. Policy on Dividend Distributions

We have never declared or paid any cash dividends on our common shares nor do we anticipate paying any in the foreseeable future. Furthermore, we expect to retain any future earnings to finance our operations and expansion. The payment of cash dividends in the future will be at the discretion of our Board of Directors and will depend upon our earnings level, capital requirements, any restrictive loan covenants and other factors the Board considers relevant.

### B. Significant Changes

Not Applicable

## Item 9. The Offer and Listing

### A. Offer and Listing Details

The following tables set forth the price history of the Company's stock.

- Annual high and low market prices for the last five full financial years:

Year	Market Price	
	High Price*	Low Price*
2018	\$ .012	\$ 0.01
2017	\$ 0.80	\$ 0.01
2016	\$ 0.70	\$ 0.10
2015	\$ 1.60	\$ 0.20
2014	\$ 3.50	\$ 1.10

\* retrospectively adjusted for 1:10 stock split

- High and low market prices for each full financial quarter during the three most recent full financial years:

Financial Quarter Year	Quarter	Market Price	
		High Price	Low Price
2018	Fourth Quarter of 2018	\$ 0.05	\$ 0.01
	Third Quarter of 2018	\$ 0.06	\$ 0.03
	Second Quarter of 2018	\$ 0.08	\$ 0.03
	First Quarter of 2018	\$ 0.12	\$ 0.03
2017	Fourth Quarter of 2017	\$ 0.18*	\$ 0.01*
	Third Quarter of 2017	\$ 0.37	\$ 0.13
	Second Quarter of 2017	\$ 0.50	\$ 0.10
	First Quarter of 2017	\$ 0.80	\$ 0.20
2016	Fourth Quarter of 2016	\$ 0.30	\$ 0.20
	Third Quarter of 2016	\$ 0.50	\$ 0.20
	Second Quarter of 2016	\$ 0.50	\$ 0.30
	First Quarter of 2016	\$ 0.60	\$ 0.20

\* retrospectively adjusted for 1:10 stock split

**B. Plan of Distribution.**

Not applicable.

**C. Markets.**

The Company's common stock trades over the counter in the United States on the OTCQB tier of the electronic over-the-counter marketplace operated by OTC Markets Group, Inc. under the symbol SPOWF.

**D. Selling Shareholders.**

Not applicable.

**E. Dilution.**

Not applicable.

**F. Expenses of the Issue.**

Not applicable.

**Item 10. Additional Information**

**A. Share Capital.**

Not applicable.

**B. Memorandum and Articles of Association**

*Corporate Registration*

Strata Power Corporation was originally incorporated under the laws of the State of Nevada on November 18, 1998 and commenced operations in January 1999. The Company filed Articles of Continuance under the Canada Business Corporations Act on August 20, 2004 and is registered with Industry Canada under Corporation No. 425346-9.

On December 27, 2018, the Company filed a Certificate of Amendment with Corporations Canada changing its name from Strata Oil & Gas Inc. to Strata Power Corporation.

*Objects and Purposes*

Strata's Articles of Continuance do not specify any specific objects or purposes. Under the Canada Business Corporations Act, a corporation has all the legal powers of a natural person. Corporations may not undertake certain limited business activities such as operating as a trust company or railroad without alterations to its form of articles and specific government consent.

#### *Powers of Directors*

Under the Company's Articles and Bylaws, the Board of Directors has the authority, without further action by the holders of the outstanding Common Shares, to issue preferred shares from time to time in one or more series, to fix the number of shares constituting any series, and to fix the terms of any such series, including dividend rights, dividend rates, conversion or exchange rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price and the liquidation preference or such series.

The Company's Articles and Bylaws provide that the Board of Directors may, from time to time, with or without the authority or the authorization of the shareholders, in such amounts and on such terms as it deems expedient, cause the Company to:

- (a) borrow money upon the credit of the Company, including by way of overdraft;
- (b) issue, re-issue, sell or pledge bonds, debentures, notes or other evidences of indebtedness of the Company, whether secured or unsecured;
- (c) give a guarantee to secure performance of any obligation to any person; or
- (d) charge, mortgage, hypothecate, pledge or otherwise create a security interest in the undertaking of the Company or in all or any of the currently owned or subsequently acquired property and assets of the Company, including without limiting the generality of the foregoing, real and personal property, movable and immovable property, tangible and intangible assets, book debts, rights, powers and franchise, to secure any present or future obligation of the Company.

The Board may from time to time delegate to a committee, to a Director or to an Officer of the Company all or any of the powers conferred on the Board by law or the Bylaws to such extent and in such manner as the Board from time to time determines.

There are no age limit requirements pertaining to the retirement or non-retirement of directors and a director need not be a shareholder of the Company.

The Company does not have any compensation agreements with the Board of Directors, however the Company may reimburse each director for the reasonable expenses that he or she may incur in or about the business of the Company. If any director performs any professional or other services for the Company that in the opinion of the directors is outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid either in addition to or substitution for any other remuneration they may be entitled to receive.

The Company's Bylaws require the Company to indemnify all directors and officers of the Company, a former director or officer of the Company or any other individual who acts or acted at the Company's request as a director or officer, or an individual acting in a similar capacity.

#### *Description of Securities*

The Company is authorized to issue an unlimited number of shares of common stock (the "Common Shares") as well as an unlimited number of shares of preferred stock (the "Preferred Shares").

Subject to the rights of holders of Preferred Shares in the future, if any, holders of the Common Shares are entitled to share equally on a per share basis in such dividends as may be declared by the Board of Directors out of funds legally available therefore. There are presently no plans to pay dividends with respect to the Common Shares. Upon the Company's liquidation, dissolution or winding up, after payment of creditors and the holders of any of the Preferred Shares, if any, the Company's assets will be divided pro rata on a per share basis among the holders of the Common Shares. The Common Shares are not subject to any liability for further assessments. There are no conversions or redemption privileges nor any sinking fund provisions with respect to the Common Shares and the Common Shares are not subject to call. The holders of Common Shares do not have any pre-emptive or other subscription rights. Holders of the Common Shares are entitled to cast one vote for each share held at all shareholders' meetings for all purposes, including the election of directors. The Common Shares do not have cumulative voting rights.

None of the Preferred Shares are currently outstanding.

### *Action Necessary to Change Rights of Shareholders*

Under the Company's Articles, the Board of Directors has the authority, without further action by the holders of the outstanding Common Shares, to issue preferred shares from time to time in one or more series, to fix the number of shares constituting any series, and to fix the terms of any such series, including dividend rights, dividend rates, conversion or exchange rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price and the liquidation preference or such series.

There are no limitations upon the rights to own securities.

There are no provisions that would have the effect of delaying, deferring, or preventing a change in control of the Company.

There is no special ownership threshold above which an ownership position must be disclosed.

A copy of the Company's Articles has been filed as an exhibit to the Company's 20-F Registration Statement.

### *Manner of Convening Annual and Special Meetings of Shareholders*

Annual and special meetings of the shareholders may be called by the Board of Directors. Notice of a shareholder meeting shall be given not less than 21 days, and not more than 60 days, prior to the date of such meeting to each Director, the auditor of the Company and each shareholder of record entitled to vote at the meeting. A quorum for any shareholder meeting shall be persons present not being less than two in number and holding or representing by proxy not less than 5% of the total number of issued shares entitled to vote at the meeting.

### *Limitations on Rights to Own, Hold or Vote Securities*

There are currently no limitations of general application imposed by Canadian federal or provincial laws on the rights of non-residents of Canada to hold or vote Strata's common shares. There are also no such limitations imposed by the Articles of Incorporation with respect to Strata's common shares. There are, however, certain requirements on the acquisition of control of Strata's securities by non-residents of Canada. The *Investment Canada Act* requires notification to, and in certain cases, advance review and approval by the Government of Canada of the acquisition by a "non-Canadian" of "control" of a "Canadian business", all as defined in the *Investment Canada Act*. Generally speaking, in order for an acquisition to be subject to advance review and approval, the asset value of the Canadian business being acquired must meet or exceed certain monetary thresholds.

### **C. Material Contracts**

We have not entered into any material contracts, other than contracts entered into in the ordinary course of business, for the two years immediately preceding publication of this document. Significant property contracts are as described in Item 4.D.

### **D. Exchange Controls**

There are no government laws, decrees or regulations in Canada which restrict the export or import of capital or, subject to the following sentence, which affect the remittance of dividends or other payments to nonresident holders of Strata's common shares. However, any such remittance to a resident of the United States is generally subject to non-resident tax pursuant to the 1980 Canada-United States Income Tax Convention. See "Item 10.E Taxation" for additional discussion on tax matters.

### **E. Taxation**

*NOTHING HEREIN SHOULD BE RELIED UPON OR INTERPRETED AS LEGAL OR TAX ADVICE AND EACH SHAREHOLDER SHOULD CONSULT WITH HIS OR HER OWN ATTORNEY, ACCOUNTANT AND OTHER PROFESSIONAL ADVISORS ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE COMPANY'S SECURITIES. THE DISCUSSION IS PRESENTED FOR INFORMATION PURPOSES ONLY AND IS INTENDED TO BE A DISCUSSION PRIMARILY OF THE CANADIAN AND UNITED STATES INCOME TAX CONSEQUENCES. EACH SHAREHOLDER IS URGED TO CONSULT WITH HIS OR HER PROFESSIONAL TAX ADVISER WITH RESPECT TO ALL FEDERAL, PROVINCIAL, STATE AND LOCAL INCOME TAXES, GIFT, ESTATE AND OTHER TAX CONSEQUENCES IN THE UNITED STATES AND CANADA. THE TAX AND OTHER MATTERS DESCRIBED HEREIN DO NOT CONSTITUTE AND SHOULD NOT BE CONSIDERED AS LEGAL OR TAX ADVICE TO SHAREHOLDERS.*

### **CANADIAN FEDERAL INCOME TAX CONSEQUENCES**

This summary is based upon the current provisions of the Income Tax Act (Canada), the regulations thereunder, the current publicly announced administrative and assessing policies of the Canada Revenue Agency, and all specific proposals (the “Tax Proposals”) to amend the Income Tax Act and regulations announced by the Minister of Finance (Canada) prior to the date hereof. This discussion is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign tax considerations which may differ significantly from those discussed herein.

The summary applies to beneficial owners of common shares who, for the purposes of the Income Tax Act, are residents of the United States and are not resident in Canada, and who hold common shares of Strata as capital property.

### **Dividends**

The Income Tax Act provides that dividends and other distributions deemed to be dividends paid or deemed to be paid by a Canadian resident corporation (such as Strata) to a non-resident of Canada shall be subject to a non-resident withholding tax equal to 25% of the gross amount of the dividend or deemed dividend.

Provisions in the Income Tax Act relating to dividend and deemed dividend payments to and capital gains realized by non-residents of Canada who are residents of the United States are subject to the 1980 Canada-United States Income Tax Convention and the five subsequent protocols amending the Convention.

Article X of the 1980 Canada-United States Income Tax Convention provides that the rate of Canadian non-resident withholding tax on dividends or deemed dividends paid to a United States corporation that beneficially owns at least 10% of the voting shares of the corporation paying the dividend shall not exceed 5% of the dividend or deemed dividend, and in any other case, the rate of non-resident withholding tax shall not exceed 15% of the dividend or deemed dividend.

### **Disposition of Shares**

The Income Tax Act provides that a non-resident person is subject to tax in Canada on the disposition of “taxable Canadian property.” Common shares of Strata are likely considered to be “taxable Canadian property” as defined in the Income Tax Act. Therefore, under the Income Tax Act, a non-resident would be subject to tax in Canada on the disposition of common shares of Strata. Article XIII of the 1980 Canada-United States Income Tax Convention provides that gains realized by a United States resident on the disposition of shares of a Canadian corporation may not generally be taxed in Canada unless the value of the Canadian corporation is derived principally from real property situated in Canada.

Generally, certain filing and reporting obligations exist where a non-resident of Canada disposes of taxable Canadian property. In particular, the non-resident must make an application to the Canada Revenue Agency in advance of the disposition for the purpose of obtaining a certificate issued by the Canada Revenue Agency pursuant to section 116 of the Income Tax Act. If the non-resident fails to secure such certificate from the Canada Revenue Agency in advance of the disposition, the purchaser is required to withhold and remit to the Canada Revenue Agency 25% of the amount otherwise payable to the non-resident.

## **UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed Treasury Regulations, published Internal Revenue Service rulings, published administrative positions of the Internal Revenue Service and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation that, if enacted, could be applied, possibly on a retroactive basis, at any time. In addition, this discussion does not cover any state, local or foreign tax consequences. The following is a discussion of United States federal income tax consequences, under current law, generally applicable to a U.S. Holder (as defined below) of common shares of Strata who holds such shares as capital assets. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below that are excluded from the definition of a U.S. Holder.

### **U.S. Holder**

As used herein, a “U.S. Holder” includes a holder of common shares of Strata who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, any United States entity which is taxable as a corporation for United States tax purposes and any other person or entity whose ownership of common shares of Strata is effectively connected with the conduct of a trade or business in the United States. A U.S. Holder does not include persons subject to special provisions of federal income tax law, such as tax-exempt organizations, qualified retirement

plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, nonresident alien individuals or foreign corporations whose ownership of common shares is not effectively connected with the conduct of a trade or business in the United States and shareholders who acquired their shares through the exercise of employee stock options or otherwise as compensation.

## **Dividends**

Except as otherwise discussed below under “Passive Foreign Investment Company Considerations,” U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of Strata are required to include in gross income for United States federal income tax purposes the gross amount of such distributions to the extent that Strata has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder’s United States federal tax liability or, alternatively, may be deducted in computing the U.S. Holder’s federal taxable income (but in the case of individuals, only if they itemize deductions). See “Foreign Tax Credit.” To the extent that distributions exceed current or accumulated earnings and profits of Strata, they will be treated first as a return of capital up to the U.S. Holder’s adjusted basis in the common shares (which adjusted basis must therefore be reduced) and thereafter as a gain from the sale or exchange of the common shares. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder that is an individual, estate or trust. Moreover, “qualified dividends” received by U.S. Holders who are individuals, during tax years beginning before January 1, 2009, from any “qualified foreign corporation” are subject to a preferential tax rate, provided such individual U.S. Holder meets a certain holding period requirement. A “qualified foreign corporation” is generally any corporation formed in a foreign jurisdiction which has a comprehensive income tax treaty with the United States or, if not, the dividend is paid with respect to stock that is readily tradable on an established United States market. However, a “qualified foreign corporation” excludes a foreign corporation that is a foreign personal holding company, a foreign investment company, or a passive foreign investment company for the year the dividend is paid or the previous year. Strata believes that it qualifies as a “qualified foreign corporation”. There are currently no preferential tax rates for a U.S. Holder that is a corporation.

In general, dividends paid on common shares of Strata will not be eligible for the same dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation may, under certain circumstances, be entitled to a 70% deduction of the United States source portion of dividends received from Strata (unless Strata is a “foreign personal holding company” as defined in Section 552 of the Code, or a “passive foreign investment company” as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of Strata. The availability of this deduction is subject to several complex limitations that are beyond the scope of this discussion.

## **Foreign Tax Credit**

A U.S. Holder who pays (or has withheld from distributions) Canadian or other foreign income tax with respect to the ownership of common shares of Strata may be entitled, at the election of the U.S. Holder, to either a tax credit or a deduction for such foreign tax paid or withheld. This election is made on a year-by-year basis and generally applies to all foreign income taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations that apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder’s United States income tax liability that the U.S. Holder’s foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern income such as “passive income”, “high withholding tax interest”, “financial services income”, “shipping income” and certain other classifications of income. In addition, U.S. Holders that are corporations and that own 10% or more of the voting stock of Strata may be entitled to an “indirect” foreign tax credit under Section 902 of the Code with respect to the payment of dividends by Strata under certain circumstances and subject to complex rules and limitations. The availability of the foreign tax credit and the application of the limitations on the foreign tax credit are fact specific and holders and prospective holders of common shares should consult their own tax advisors regarding their individual circumstances.

## **Disposition of Shares**

Except as otherwise discussed below under “Passive Foreign Investment Company Considerations,” a gain or loss realized on a sale of common shares will generally be a capital gain or loss and will be long-term if the shareholder has a holding period of more than one year. The amount of gain or loss recognized by a selling U.S. Holder will be measured by the difference between (i) the amount realized on the sale and (ii) his or its tax basis in the common shares. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. Individual U.S. Holders may carryover unused capital losses to offset capital gains realized in subsequent years. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), any unused capital losses may only be carried back three and forward five years from the loss year to offset capital gains until such net capital losses are exhausted.

## **Foreign Personal Holding Company Considerations**

Special rules apply to a U.S. Holder of a “foreign personal holding company” or “FPHC” as defined in Section 552 of the Code. Strata will not be classified as a FPHC for U.S. federal income tax purposes unless (i) five or fewer individuals who are U.S. citizens or residents own or are deemed to own more than 50% of the total voting power of all classes of stock entitled to vote or the total value of Strata stock; and (ii) at least 60% (or 50% in certain cases) of Strata’s gross income consists of “foreign personal holding company income,” which generally includes passive income such as dividends, interest, gains from the sale or exchange of stock or securities, certain rents, and royalties. Strata believes that it is not a FPHC; however, no assurance can be provided that Strata will not be classified as a FPHC in the future.

## **Passive Foreign Investment Company Considerations**

If Strata is a “passive foreign investment company” or “PFIC” as defined in Section 1297 of the Code, U.S. Holders will be subject to U.S. federal income taxation under one of two alternative tax regimes at the election of each such U.S. Holder. Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States and either (i) 75% or more of its gross income for the taxable year is “passive income”, which generally includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if Strata elects, adjusted tax basis), of its assets that produce or are held for the production of “passive income” is 50% or more. The rules applicable to a FPHC take priority over the rules applicable to a PFIC, so that amounts includable in gross income under the FPHC rules will not be taxable again under the PFIC rules. Strata does not believe that it will be a PFIC for the current fiscal year or for future years. Whether Strata is a PFIC in any year and the tax consequences relating to PFIC status will depend on the composition of Strata’s income and assets, including cash. U.S. Holders should be aware, however, that if Strata becomes a PFIC, it may not be able or willing to satisfy record-keeping requirements that would enable U.S. Holders to make an election to treat Strata as a “qualified electing fund” for purposes of one of the two alternative tax regimes applicable to a PFIC. U.S. Holders or potential shareholders should consult their own tax advisor concerning the impact of these rules on their investment in Strata.

## **F. Dividends and Paying Agents**

Not applicable.

## **G. Statement by Experts**

Not applicable.

## **H. Documents on Display**

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically; we are required to file annually a Form 20-F Annual Report no later than four months after the close of each fiscal year which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

The Company's documents on display are available with the U.S. Securities and Exchange Commission EDGAR website at [www.sec.gov](http://www.sec.gov).

## **I. Subsidiary Information**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

Market risk represents the potential risk of loss in the future earnings of Strata due to adverse changes in financial markets. Strata is exposed to market risk from changes in its common share price, foreign exchange rates and interest rates. Inflation has not had a significant impact on Strata's results of operations.

#### Foreign Currency Sensitivity

While our financial statements are reported in US dollars and are intended to comply with U.S. GAAP requirements, a significant portion of our business operations may be conducted in Canadian dollars. Since June 1, 1970, the government of Canada has permitted a floating exchange rate to determine the value of the Canadian dollar as compared to the United States dollar. On March 28, 2019, the exchange rate in effect for Canadian dollars exchanged for United States dollars, expressed in terms of Canadian dollars was \$1.34. This exchange rate is based upon the noon buying rates of the Bank of Canada.

#### Interest Rate Sensitivity

The Company currently has no significant long-term or short-term debt requiring interest payments. Thus, the Company has not entered into any agreement or purchased any instrument to hedge against possible interest rate risks at this time.

The Company's interest earning investments are primarily short-term, or can be held to maturity, and thus, any reductions in carrying values due to future interest rate declines are believed to be immaterial. However, as the Company has a significant cash or near-cash position, which is invested in such instruments, reductions in interest rates will reduce the interest income from these investments.

#### **Item 12. Description of Securities Other than Equity Securities**

Not applicable.

## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

### Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

### Item 15. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Our management, under supervision and with the participation of the principal executive officer and the principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e). Based upon this evaluation, the principal executive officer and principal financial officer concluded that, as of December 31, 2018, our disclosure controls and procedures were effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

#### Management's Report on Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Exchange Act Rules 13a-15(f) and 14d-14(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting reliability and financial statement preparation and presentation. In addition, projections of any evaluation of effectiveness to future periods are subject to risk that controls become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making the assessment, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) 2013 Internal Control-Integrated Framework. Based on its assessment as of December 31, 2018, management concluded that our disclosure controls and procedures were effective. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within the Company have been detected. However, the Company plans to continue to evaluate and work to improve its internal controls in these areas. The Company's internal controls over financial reporting were effective.

#### Attestation Report of Registered Public Accounting Firm

This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to permanent rules of the SEC that permit the Company to provide only management's report in this Annual Report.

#### Changes in Internal Controls over Financial Reporting

As of December 31, 2018, management assessed the effectiveness of our internal control over financial reporting, and based on that evaluation, they concluded that through December 31, 2018 and to date, the internal controls and procedures were effective.

During the course of their evaluation, we did not discover any fraud involving management or any other personnel who play a significant role in our disclosure of controls and procedures or internal controls over financial reporting.

We believe that our financial statements contained in our Form 20-F for the twelve months ended December 31, 2018, fairly present our financial position, results of operations and cash flows for the years covered thereby in all material respects. We are committed to improving our financial organization. We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements as necessary.

#### **Item 16A. Audit Committee**

The Board of Directors is empowered to appoint an Audit Committee for the Corporation. Currently the Board of Directors functions as the Audit Committee. The Audit Committee members are not considered independent as specified in the National Instrument 52-110. We believe that the Board of Directors are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. In addition, we believe that retaining an independent director who would qualify as an “audit committee financial expert” would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated revenues to date.

#### **AUDIT COMMITTEE INFORMATION**

The mandate of the Audit Committee is set forth in Appendix "A" attached hereto.

#### **Composition of the Audit Committee**

The Audit Committee is currently comprised of Trevor Newton (Chairman), Michael Ranger and Dave Mahowich, all of whom are financially literate under National Instrument 52-110 - *Audit Committees (“NI 52-110”)*. The Company is categorized as a venture issuer and, as a result, the Company is exempt from the Audit Committee Composition requirements in Part 3 (*Composition of the Audit Committee*) of NI 52-110 which require all Audit Committee Members to be independent.

Dr. Ranger and Mr. Mahowich are independent under NI 52-110. Mr. Newton is not considered independent under NI 52-110 as he serves as an executive officer of the Company.

#### **Relevant Education and Experience**

The following relevant education and experience of the members of the Audit Committee have been used in assessing their financial literacy:

##### *Trevor Newton*

Mr. Newton has assisted private and public companies in their financing, project acquisition, and development since 1996. Mr. Newton has a B.Sc. in Economics from the University of Victoria and an M.A. in Economics from Simon Fraser University.

##### *Michael Ranger*

Dr. Ranger is an independent petroleum consultant and is a director of Canadex Resources Ltd. Dr. Ranger has a prolific career providing services to an array of the world's largest oil companies. Dr. Ranger has a Ph.D. in Petroleum Geology from the University of Alberta, a MSc. Degree in Sedimentary Geology from Memorial University of Newfoundland, and a BSc. Geology from Concordia University.

##### *Dave Mahowich*

Mr. Mahowich has 27 years of experience in the oil and gas sector, including expertise in the Peace River oil sands region, where he oversaw drilling operations. Mr. Mahowich managed drilling in the region for Shell Canada and drilled more than 300 wells in the Peace River region, with specific areas of expertise in cold production wells (CHOPS), multilateral horizontal wells, and SAG-D. Mr. Mahowich's professional experience also includes drilling and completion program management, operations, oil field manufacturing, and business/assets development with a specific focus on heavy oil and bitumen plays.

#### **Audit Committee Oversight**

At no time since incorporation was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board of Directors of the Corporation.

### Pre-Approval Policies and Procedures

To safeguard the continued independence of the Corporation’s external auditors, all services (including non-audit services) to be rendered by the Corporation’s external auditors and any of their related entities to the Corporation or any subsidiary of the Corporation, and all related terms of engagement, must be the subject of pre-approval by the Audit Committee.

### Reliance on Certain Exemptions

Pursuant to section 6.1 of NI 52-110, the Company is exempt from the requirements of Part 3 Composition of the Audit Committee and Part 5 Reporting Obligations of NI 52-110 because it is a venture issuer.

### Item 16B. Code of Ethics

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. For purposes of this Item, the term Code of Ethics means written standards that are reasonably designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the issuer files with, or submits to, the Commission and in other public communications made by the issuer;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of violations of the code to the board of directors or another appropriate person or persons identified in the code; and
- accountability for adherence to the code.

There have been no amendments to the Code of Ethics and no waivers of any of its provisions during the years ended December 31, 2018.

The Company hereby undertakes to provide to any person without charge, upon request, a copy of such Code of Ethics. Such request may be made in writing to the Board of Directors at the address of the issuer.

### Item 16C. Principal Accountant Fees and Services

The fees billed for each of the last three fiscal years for professional services rendered by the Company’s audit firm for various services (including an estimate of year-end audit fees) are set forth below:

	<b>Fiscal year ending December 31, 2018(1)(2)</b>	<b>Fiscal year ending December 31, 2017 (1)</b>	<b>Fiscal year ending December 31, 2016 (1)</b>
Audit Fees	\$ 12,000	\$ 12,000	\$ 12,500
Audit Related Fees	–	–	–
Tax Fees	–	–	–
All Other Fees	–	–	–
	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 12,500</u>

(1) As of December 31, 2017, the Company’s Audit Committee did not have a formal documented pre-approval policy for the fees of the principal accountant.

(2) Estimated to date for the year ended December 31, 2018

From time to time, management of the Company recommends to and requests approval from the Board of Directors for non-audit services to be provided by the Company’s auditors. The Board routinely considers such requests during Board meetings, and if

acceptable to a majority of the Board members, pre-approves such non-audit services by a resolution authorizing management to engage the Company's auditors for such non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the Board assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the Securities and Exchange Commission and whether the services requested, and the fees related to such services could impair the independence of the auditors. There were no non-audit related services provided by the Company's audit firm.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Neither the Company nor any "affiliated purchasers" as defined in Rule 10b-18(a)(3) under the Exchange Act purchased any shares of the Company.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

Not applicable.

**Item 16H. Mine Health and Safety, Conflict Minerals and Government Payments**

Not applicable.

## PART III

### Item 17. Financial Statements

The Company has provided financial statements pursuant to Item 18.

### Item 18. Financial Statements

The Company's financial statements are stated in United States Dollars and are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

### Item 19. Exhibits

Exhibit No.	Description
1.1	<a href="#">Articles of Continuance</a> (1)
1.2	<a href="#">Bylaws</a> (1)
1.3	<a href="#">Audit Committee Charter</a> (2)
2.1	<a href="#">Description of Capital Stock</a> (contained in the Articles of Continuance filed as Exhibit 1.1)
12.1*	<a href="#">Section 302 Certification of Principal Executive and Financial Officer</a>
13.1*	<a href="#">Section 906 Certification of Principal Executive and Financial Officer</a>
15.2	<a href="#">2006 Stock Option Plan</a> (3)
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Definition Linkbase Document
101.LAB**	XBRL Label Linkbase Document
101.PRE**	XBRL Presentation Linkbase Document

\* Filed herewith.

\*\* To be filed by amendment

(1) Previously filed with the Company's Registration Statement on Form S-4 on April 22, 2003

(2) Previously filed with the Company's Annual Report on Form 20-F on April 29, 2015

(3) Filed with the Company's Form S-8 Registration Statement on June 1, 2006

**SIGNATURES**

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

STRATA POWER CORPORATION  
(Registrant)

Dated: March 29, 2019

By: /s/ Trevor Newton  
Trevor Newton  
President, Chief Executive Officer,  
Secretary and Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<b>SIGNATURE</b>	<b>TITLE</b>	<b>DATE</b>
<u>/s/ Trevor Newton</u> Trevor Newton	Director	March 29, 2019
<u>/s/ Michael Ranger</u> Michael Ranger	Director	March 29, 2019
<u>/s/ Dave Mahowich</u> Dave Mahowich	Director	March 29, 2019

**Strata Power Corporation**  
**Financial Statements**  
**December 31, 2018**

**Contents**

<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	F-2
<a href="#"><u>Balance Sheets as of December 31, 2018 and 2017</u></a>	F-3
<a href="#"><u>Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2018, 2017 and 2016</u></a>	F-4
<a href="#"><u>Statements of Changes in Stockholders' Equity (Deficit) as of December 31, 2018, 2017, and 2016</u></a>	F-5
<a href="#"><u>Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</u></a>	F-6
<a href="#"><u>Notes to the Financial Statements</u></a>	F-7

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Strata Power Corporation

**Opinion on the Financial Statements**

We have audited the accompanying balance sheets of Strata Power Corporation (“the Company”) as of December 31, 2018 and 2017, and the related statements of operations and comprehensive income (loss), changes in stockholders’ equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

**Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has not realized revenue from present operations, an accumulated deficit, and is expected to incur negative cash flows. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Fruci & Associates II, PLLC*

We have served as the Company’s auditor since 2017.

Spokane, Washington  
March 29, 2019



**STRATA POWER CORPORATION**  
**BALANCE SHEETS**  
(Expressed in US Dollars)

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 11,894	\$ 18,591
GST receivables	894	945
<b>Total current assets</b>	12,788	19,536
Reclamation deposits	90,531	96,738
<b>Total assets</b>	\$ 103,319	\$ 116,274
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 42,563	\$ 76,951
Accounts payable and accrued liabilities - related party	20,465	14,749
Deposit on Royalty Agreement	110,000	-
Notes payable	7,403	7,718
Derivative liability	54,626	273,170
<b>Total current liabilities</b>	235,057	372,588
Asset retirement obligation	158,783	163,020
<b>Total liabilities</b>	393,840	535,608
<b>Commitments and Contingencies</b>	-	-
<b>Stockholders' equity (deficit)</b>		
Preferred stock: no par value, unlimited shares authorized and none issued	-	-
Common stock: no par value, unlimited shares authorized; 17,093,719 and 15,853,719 shares issued and outstanding at December 31, 2018 and 2017, respectively	-	-
Additional paid-in capital	23,344,255	23,232,255
Accumulated deficit	(23,231,764)	(23,245,776)
Accumulated other comprehensive income	(403,012)	(405,813)
<b>Total stockholders' equity (deficit)</b>	(290,521)	(419,334)
<b>Total liabilities and stockholders' equity (deficit)</b>	\$ 103,319	\$ 116,274

*The accompanying notes are an integral part of these financial statements.*

**STRATA POWER CORPORATION**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(Expressed in US Dollars)

	<b>For the years ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Operating Expenses:</b>			
Professional fees	\$ 46,373	\$ 30,835	\$ 64,740
Office and sundry	12,590	5,660	8,443
Consulting fees	18,816	81,665	6,172
Transfer agent fees	1,075	4,640	1,861
Accretion expense	9,381	13,970	6,566
Impairment of oil & gas properties	137,329	164,566	7,831,570
<b>Total operating expenses</b>	<b>225,564</b>	<b>301,336</b>	<b>7,919,352</b>
<b>Other income (expense):</b>			
Interest income	1,510	815	998
Interest income, related party	–	–	1,153
Miscellaneous income	12,620	–	–
Interest expense	(315)	(282)	(264)
Gain on disposal of properties	–	42,502	–
Foreign exchange gain (loss)	18,660	(564)	111
Change in fair value of derivative liability	207,101	538,826	584,880
<b>Total other income</b>	<b>239,576</b>	<b>581,297</b>	<b>586,878</b>
<b>Net income (loss)</b>	<b>14,012</b>	<b>279,961</b>	<b>(7,332,474)</b>
<b>Other comprehensive income (loss)</b>			
Foreign currency translation adjustment	2,801	(34,325)	161,864
<b>Comprehensive income (loss)</b>	<b>\$ 16,813</b>	<b>\$ 245,636</b>	<b>\$ (7,170,610)</b>
<b>Basic and diluted earnings (loss) per share (Note 3)</b>			
Basic income (loss) per common share	\$ 0.00	\$ 0.02	\$ (0.56)
Diluted income (loss) per common share	\$ 0.00	\$ 0.02	\$ (0.56)
Basic weighted average number of shares outstanding	16,891,966	14,880,909	13,035,203
Diluted weighted average number of shares outstanding	16,891,966	15,310,909	13,035,203

*The accompanying notes are an integral part of these financial statements.*

**STRATA POWER CORPORATION**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
(Expressed in US Dollars)

	Common Stock Shares	Additional Paid-in Capital	Stock Subscriptions Payable	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity (Deficit)
<b>Balance December 31, 2015</b>	<u>9,169,418</u>	<u>\$ 21,975,988</u>	<u>\$ 21,514</u>	<u>\$ (16,193,263)</u>	<u>\$ (533,352)</u>	<u>\$ 5,270,887</u>
Private placement, common stock and warrants issuance for cash and subscriptions payable	668,167	169,700	(21,514)	-	-	148,186
Derivative liability adjustment	-	(169,700)	-	-	-	(169,700)
Private placement, common stock	380,000	76,000	-	-	-	76,000
Issuance of stock for purchase of oil properties from related parties	3,997,431	867,443	-	-	-	867,443
Net loss and comprehensive loss	-	-	-	(7,332,474)	161,864	(7,170,610)
<b>Balance December 31, 2016</b>	<u>14,215,016</u>	<u>22,919,431</u>	<u>-</u>	<u>(23,525,737)</u>	<u>(371,488)</u>	<u>(977,794)</u>
Private placement, common stock issuance for cash	1,380,495	176,052	-	-	-	176,052
Issuance of stock for services	258,208	83,060	-	-	-	83,060
Stock options issued	-	53,712	-	-	-	53,712
Net income and comprehensive loss	-	-	-	279,961	(34,325)	245,636
<b>Balance December 31, 2017</b>	<u>15,853,719</u>	<u>\$ 23,232,255</u>	<u>\$ -</u>	<u>\$ (23,245,776)</u>	<u>\$ (405,813)</u>	<u>\$ (419,334)</u>
Private placement, common stock issuance for cash	1,000,000	100,000	-	-	-	100,000
Stock options exercised	240,000	12,000	-	-	-	12,000
Net income and comprehensive loss	-	-	-	14,012	2,801	16,813
<b>Balance December 31, 2018</b>	<u>17,093,719</u>	<u>\$ 23,344,255</u>	<u>\$ -</u>	<u>\$ (23,231,764)</u>	<u>\$ (403,012)</u>	<u>\$ (290,521)</u>

*The accompanying notes are an integral part of these financial statements.*

**STRATA POWER CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in US Dollars)

	<b>For the years ending December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ 14,012	\$ 279,961	\$ (7,332,474)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Stock based compensation for consulting fees	9,000	136,774	–
Accrued interest	315	282	–
Accretion expense	9,381	13,970	6,566
Change in fair value of derivative liability	(207,101)	(538,826)	(584,880)
Loss on disposal of oil and gas properties	–	(42,502)	–
Impairment of oil and gas properties	137,329	164,566	7,831,570
<b>Change in assets and liabilities</b>			
Interest receivable	–	–	(1,153)
GST receivable	51	(715)	(468)
Prepaid expenses	–	1,365	(1,385)
Accounts payable	(34,388)	375	48,871
Accrued liabilities – related party	9,823	(29,679)	15,329
Deposit on royalty agreement	110,000	–	–
Net cash provided by (used in) operating activities	<u>48,422</u>	<u>(14,429)</u>	<u>(18,024)</u>
<b>Cash flows from investing activities</b>			
Reclamation Deposits	(1,665)	–	(998)
Acquisition of oil and gas interests	(137,329)	(127,805)	(156,060)
Proceeds from the sale of property	–	42,502	–
Notes receivable advances to related party	–	–	(42,063)
Net cash used in investing activities	<u>(138,994)</u>	<u>(85,303)</u>	<u>(199,121)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of common stock and warrants	–	–	76,000
Proceeds from issuance of common stock	100,000	176,052	147,000
Net cash provided by financing activities	<u>100,000</u>	<u>176,052</u>	<u>223,000</u>
<b>Foreign exchange effect on cash</b>	<u>(16,125)</u>	<u>(65,610)</u>	<u>(515)</u>
<b>Net increase (decrease) in cash</b>	<u>(6,697)</u>	<u>10,710</u>	<u>5,340</u>
<b>Cash, beginning balance</b>	<u>18,591</u>	<u>7,881</u>	<u>2,541</u>
<b>Cash, ending balance</b>	<u>\$ 11,894</u>	<u>\$ 18,591</u>	<u>\$ 7,881</u>
<b>Supplemental disclosure of cash paid for:</b>			
Interest	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>
Income taxes	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>
<b>Non-cash investing and financing activities</b>			
Reclass of additional paid-in capital to derivative liability	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 169,700</u>
Issuance of common stock in lieu of accrued liability	<u>\$ 3,000</u>	<u>\$ –</u>	<u>\$ –</u>
Oil and gas acquisitions accrued	<u>\$ –</u>	<u>\$ 36,761</u>	<u>\$ 94,654</u>
Shares issued for acquisition of oil and gas properties	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 867,443</u>
Note receivable used for acquisition of oil and gas properties	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 271,380</u>
Common stock issued for subscription payable	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 21,514</u>

*The accompanying notes are an integral part of these financial statements.*

**STRATA POWER CORPORATION**  
**Notes to the Financial Statements**

**NOTE 1. NATURE OF BUSINESS**

Strata Power Corporation (the “Company”) is currently engaged in the acquisition, exploration and, if warranted, feasible development of heavy oil projects in the Peace River oil sands region in Northern Alberta, Canada. The Company was incorporated under the laws of the State of Nevada on November 18, 1998 and commenced operations in January 1999. The Company completed its initial public offering in February 2000.

The Company is presently incorporated under the Canada Business Corporations Act. On December 27, 2018, the Company filed a Certificate of Amendment with Corporations Canada changing its name from Strata Oil & Gas Inc. to Strata Power Corporation.

As of December 31, 2018, the Company has a 100% interest in 56 oil sands leases located in the Peace River oil sands area, totaling 58,368 hectares. The Company owns 3 non-producing wells. The Company also has a Metallic and Industrial Minerals Permit in Alberta, totaling 9,800 hectares.

**NOTE 2. ABILITY TO CONTINUE AS A GOING CONCERN**

As shown in the accompanying financial statements, the Company has not realized any revenue from its present operations. During the year ended December 31, 2018, the Company incurred a net income of \$14,012, primarily due to a gain in the fair value of derivatives, had cash flows from operations of \$48,422 and is expected to incur negative operating cash flows in the foreseeable future. The Company has an accumulated deficit of \$23,231,764 at December 31, 2018. These conditions raise substantial doubt regarding the Company’s ability to continue as a going concern. The financial statements have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business.

The Company’s ability to continue as a going concern is dependent on its ability to develop its oil and gas properties and ultimately achieve profitable operations, and to generate sufficient cash flow from financing and operations to meet its obligations as they become payable. The Company expects that it will need approximately \$525,000 to fund its operations during the next twelve months, which will include minimum annual property lease payments, expected exploration expenditures for permitting and drilling, as well as operating expenses. Management has plans to seek additional capital through a private placement of its common stock. Although there are no assurances that management’s plans will be realized, management believes that the Company will be able obtain sufficient capital to continue operations in the next 12 months. Accordingly, no adjustment relating to the recoverability and classification of recorded asset amounts and the classification of liabilities has been made to the accompanying financial statements in anticipation of the Company not being able to continue as a going concern.

**NOTE 3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”).

**Management’s Estimates and Assumptions**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date, and revenues and expenses for the period then ended. Actual results could differ significantly from those estimates.

**Oil and Gas Property Payments and Exploration Costs**

The Company follows the full cost method of accounting for natural gas and oil operations. Under the full cost method, all costs incurred in the acquisition, exploration and development of natural gas and oil interests are initially capitalized into cost centers on a country-by-country basis. The Company’s current cost center is located in Canada. Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition, exploration and development activities.

Under full cost accounting rules, capitalized costs, less accumulated amortization and related deferred income taxes, shall not exceed an amount (the ceiling) equal to the sum of: (i) the after tax present value of estimated future net revenues computed by

applying current prices of oil and gas reserves to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing any proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; (ii) the cost of properties not being amortized; and (iii) the lower of cost or estimated fair value of unproved properties included in the costs being amortized. If unamortized costs capitalized within a cost center, less related deferred income taxes, exceed the ceiling, the excess shall be charged to expense and separately disclosed during the period in which the excess occurs. Amounts thus required to be written off shall not be reinstated for any subsequent increase in the cost center ceiling.

On an annual basis, management evaluates the carrying value of the Company's leases and associated assets and assesses them for impairment, considering historical experience and other data such as primary lease terms of the properties, average holding period of unproved properties, geographic and geologic data, and also the commodity price forecast. As of December 31, 2018, 2017, and 2016, the Company determined to fully impair certain assets primarily relating to unproved leases and legacy wells for a total impairment of \$137,329, \$164,566, and \$7,831,570 respectively.

### **Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with a maturity of 90 days or less to be cash equivalents. The Company maintains cash and cash equivalent balances with financial institutions that may exceed federally insured limits. There were no cash equivalent balances for the years ended December 31, 2018 or 2017.

### **GST Receivables**

Goods and Services Tax (GST) receivables are presented net of an allowance for doubtful accounts. Receivables consist of goods and services input tax credits. The allowance for doubtful accounts on GST receivables was \$nil at December 31, 2018 and 2017.

### **Impairment of Long-lived Assets**

In accordance with ASC 360, *Property, Plant and Equipment*, long lived assets such as equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount of fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

### **Asset Retirement Obligations**

In accordance with ASC 410, *Asset Retirement and Environmental Obligations*, the fair value of an asset retirement cost, and corresponding liability, should be recorded as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. The Company has recorded an asset retirement obligation at December 31, 2018 and 2017 (Note 7) to reflect its legal obligations related to future abandonment of its oil and gas interests using estimated expected cash flow associated with the obligation and discounting the amount using a credit-adjusted, risk-free interest rate. At least annually, the Company will reassess the obligation to determine whether a change in any estimated obligation is necessary. The Company will evaluate whether there are indicators that suggest the estimated cash flows underlying the obligation have materially changed. Should those indicators suggest the estimated obligation has materially changed the Company will accordingly update its assessment. The liability accretes until the Company settles the obligation.

### **Income Taxes**

The Company follows the asset and liability method of accounting for income taxes whereby deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If it is determined that the realization of the future tax benefit is not more likely than not, the Company establishes a valuation allowance.

### **Foreign Exchange Translation**

The Company's functional currency is the Canadian dollar but reports its financial statements in US dollars. The Company translates its Canadian dollar balances to US dollars in the following manner: Assets and liabilities have been translated using the rate of exchange at the balance sheet date. Equity transactions and results of operations have been translated at historical rates.

Translation gains or losses resulting from the changes in the exchange rates are accumulated as other comprehensive income or loss in a separate component of stockholders' equity.

All amounts included in the accompanying financial statements and footnotes are stated in U.S. dollars.

### **Derivative Financial Instruments**

The Company reviews the terms of its equity instruments and other financing arrangements to determine whether there are embedded derivative instruments that are required to be accounted for separately as a derivative financial instrument. Also, in connection with the issuance of financing instruments, the Company has issued freestanding warrants that are accounted for as derivative instrument liabilities because they are exercisable in a currency other than the functional currency of the Company and thus do not meet the "fixed-for-fixed" criteria of ASC 815-40-15. The warrants are exercisable in United States dollars and the Company's functional currency is the Canadian dollar.

Derivative financial instruments are initially measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option and warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to value the derivative instruments.

Any exercise or cancellation of an equity instrument which meets the classification of a derivative financial instrument is trued-up to fair value at that date and the fair value of the exercised instrument is then reclassified from liability to additional paid in capital.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. If reclassification is required, the fair value of the derivative instrument, as of the determination date, is reclassified. Any previous charges or credits to income for changes in the fair value of the derivative instrument are not reversed. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

### **Stock Based Compensation**

The Company measures all employee stock-based compensation awards using a fair value method on the date of grant and recognizes such expense in its financial statements over the requisite service period. The Company uses the Black-Scholes pricing model to determine the fair value of stock-based compensation awards on the date of grant. The Black-Scholes pricing model requires management to make assumptions regarding option lives, expected volatility, and risk-free interest rates.

The Company accounts for non-employee stock-based awards in accordance with the provision of ASC 505, "Equity Based Payments to Non-Employees" ("ASC 505"), which requires that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest. The Company uses the Black-Scholes pricing model to determine the fair value of stock-based compensation awards. The Black-Scholes pricing model requires management to make assumptions regarding option lives, expected volatility, and risk-free interest rates.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. For non-employees, the expected term of the options approximates the full term of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company has not paid and does not anticipate paying dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, accounting standard requires companies to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on its best estimate, management applied the estimated forfeiture rate of nil in determining the expense recorded in the accompanying Statements of Operations and Comprehensive Income (Loss).

Expected volatilities are calculated using the historical volatility of the Company's stock. When applicable, the Company will use historical data to estimate option exercise, forfeiture and employees' termination within the valuation model. For non-employees, the expected term of the options approximates the full term of the options.

### **Earnings (Loss) Per Share of Common Stock**

Basic earnings (loss) per share of common stock is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share of common stock reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Dilutive potential

common shares are calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all warrants and options are used to repurchase common stock at market value. The number of shares remaining after the proceeds are exhausted represents the potentially dilutive effect of the securities. For the year ended December 31, 2018, all of the outstanding 447,000 options and outstanding 3,131,556 warrants had an exercise price above the average stock price for year-end period. Accordingly, all of the potentially dilutive shares were anti-dilutive. For the year ended December 31, 2017, 307,000 of the outstanding common stock options and 4,367,297 outstanding warrants had an exercise price above the average stock price for the twelve-month period and were considered anti-dilutive. At December 31, 2017, 430,000 of the common stock options were included as dilutive shares for purposes of calculating the diluted weighted average stock price.

### Fair Value of Financial Instruments

The book values of GST receivables, notes receivable, accounts payable and accrued expenses approximate their respective fair values due to the short-term nature of these instruments. The fair value hierarchy under GAAP distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

- *Level one* - Quoted market prices in active markets for identical assets or liabilities;
- *Level two* - Inputs other than level one inputs that are either directly or indirectly observable; and
- *Level three* - Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. Hierarchy disclosures are evaluated at each balance sheet date. Liabilities measured at fair value are summarized as follows as of:

	Fair Value Measurement at December 31, 2018		Fair Value Measurement at December 31, 2017	
	Using Level 3	Total	Using Level 3	Total
Derivative liabilities	\$ 54,626	\$ 54,626	\$ 273,170	\$ 273,170
Asset Retirement Obligation (see Note 7)	158,783	158,783	163,020	163,020

The Company measures and reports the fair value liability for warrants with a strike price currency different than the functional currency of the Company on a recurring basis. The fair value liabilities for warrants have been recorded as determined utilizing the Black-Scholes option pricing model. A slight change in an unobservable input like historical volatility could have a significant impact on the fair value measurement of the derivative liabilities. See Note 5 "Derivative Liabilities" for further discussion of the inputs used in determining the fair value.

### Comprehensive Income (Loss)

Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. The Company's items of other comprehensive income (loss) are foreign currency translation adjustments.

### Related Party Transactions

A related party is generally defined as (i) any person who holds 10% or more of the Company's securities and their immediate families, (ii) the Company's management, (iii) someone who directly or indirectly controls, is controlled by or is under common control with the Company, or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### New Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

### NOTE 4. NOTES RECEIVABLE, RELATED PARTIES

During the period December 27, 2013 through February 22, 2016, the Company entered into several unsecured short-term note receivable agreements with a related party through common directors.

On February 22, 2016, the Company and the borrowers entered into a purchase and sale agreement whereby the Company elected to acquire all the rights and obligations associated with 45 oil sands leases representing 39,680 hectares (98,051 acres) in the Peace River area of Alberta. As part of the purchase price, the notes receivable was applied towards the purchase of the oil sands lease rights. Accordingly, the notes receivable plus accrued interest was \$nil as of December 31, 2018 and 2017. See Note 6 “Oil and Gas Properties” for additional discussion of the lease acquisitions.

For the years ended December 31, 2018, 2017 and 2016 the Company recognized \$0, \$0 and \$1,153, respectively of interest income under the terms of the note agreements.

#### NOTE 5. DERIVATIVE LIABILITIES

Derivative liabilities consist of common stock warrants with an exercise price in a different currency than the Company’s functional currency and they are accounted for as separate liabilities measured at their respective fair values as follows:

<b>Balance, December 31, 2016</b>	\$ 779,796
Fair value of expired warrant	(140)
Change in fair value of derivative liabilities	(542,834)
Foreign exchange effect on derivative liability	36,348
	<u>273,170</u>
<b>Balance, December 31, 2017</b>	(56,229)
Fair value of expired warrant	(150,870)
Change in fair value of derivative liabilities	(11,445)
Foreign exchange effect on derivative liability	<u>(11,445)</u>
<b>Balance, December 31, 2018</b>	<u><u>\$ 54,626</u></u>

The fair value of the derivative liabilities has been determined using the Black-Scholes option pricing model using the following range of assumptions:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Volatility	557.60%	383.07%	254.90%
Expected life	.04 to 3 years	.2 to 4 years	.2 to 7 years
Risk-free interest rate	1.86% - 1.96%	1.73% - 1.9%	0.74% - 1.4%
Dividend yield	0.00%	0.00%	0.00%

#### NOTE 6. OIL AND GAS PROPERTIES

During the period June 2006 through January 2007, the Company acquired the rights to multiple oil sands leases within the Peace River area of Alberta, Canada (the “Peace River Properties”). The leases were granted by the Province of Alberta. All the leases are for a 15-year term, require minimum annual lease payments, and grant the Company the right to explore and develop oil sands on the respective leases.

On February 22, 2016, the Company acquired an additional 45 oil sands leases by entering into two purchase and sale agreements. The oil sands leases represent 39,680 hectares (98,051 acres) in the Peace River area of Alberta. One of the purchase / sale agreements was with a related party. The Company paid for the acquisition of these leases by the issuance of restricted 3,997,431 shares of its common stock valued at \$0.217 per share reduced by the carrying value of notes receivable, including accrued interest, from the two parties. As of February 22, 2016, the total notes receivable, plus accrued interest, was \$271,380 and the value of the share issuance was \$867,433 resulting in a net purchase price of \$1,138,823.

All the Company’s leases in the Peace River area are subject to royalties payable to the government of the Province of Alberta. The royalty is calculated using a revenue-less-cost formula. In years prior to the recovery of the project’s capital investment, the royalty is 1% of gross revenue. Once the project costs have been recovered, the royalty is the greater of 1% of gross revenue or 25% of net revenue.

The Company completed drilling four exploratory wells during the fiscal year ended December 31, 2007. Since then, the Company has completed several third-party technical reports on its oil sands leases including a prefeasibility study and has developed an oil sands exploration program. The Company intends to move forward on the program and projects when adequate funding is available. As of December 31, 2018, 2017, and 2016, the Company decided to fully impair certain of its assets primarily relating to

unproved leases and legacy wells for a total impairment of \$137,329, \$164,566, and \$7,831,570 respectively. This decision was made due to: the historically low commodity prices; the general lack of investment activity in the sector; the general lack of new oil sands lease activity in the region; and the need to update the Company's 51-101 studies to reflect the new COGEH standards.

On May 5, 2017, the Company sold one of its impaired legacy wells for total proceeds of \$42,502 (CDN\$55,000) which has been recorded in the Statements of Operations and Comprehensive Income / (Loss).

#### **NOTE 7. ASSET RETIREMENT OBLIGATIONS**

During 2007, the Company drilled four wells on its Peace River Property. Total future asset retirement obligations were estimated by management based on the Company's working interest in its wells and facilities, estimated costs to remediate, reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of its total asset retirement obligations to be approximately \$158,783 at December 31, 2018, based on an undiscounted total future liability of \$225,229 (CDN\$293,000). These payments are expected to be incurred between 2020 and 2030. The Company used a credit adjusted discount rate of 10% per annum and an inflation rate of 2% to calculate the present value of the asset retirement obligation. Accretion expense of \$9,381, \$13,970 and \$6,566 for the years ended December 31, 2018, 2017 and 2016, respectively, has been recorded in the Statements of Operations and Comprehensive Income / (Loss).

#### **NOTE 8. RELATED PARTY TRANSACTIONS**

Related party transactions not disclosed elsewhere in these financial statements include:

##### Stock purchases

During the year ended December 31, 2018, 2017 and 2016 the Company received total proceeds of \$100,000, \$176,052 and \$76,000, respectively from private placements for common shares issued to a related party by common director. The number of shares issued in connection with these transactions were 1,000,000, 1,380,260 and 380,000, respectively. In addition, the President of the Company exercised 240,000 of his options for \$12,000, of which \$9,000 was in lieu of cash compensation for consulting services and \$3,000 resulted from the settlement of an accrued liability.

##### Deposit on Royalty Agreement

The Company is in negotiations regarding a royalty agreement with a related party by common CEO and director. In exchange for a non-refundable payment of \$300,000, the Company intends to provide a royalty stream to this related party based on the gross production of Vanadium Oxide ("Vanadium") from 19 of the company's 56 the oil sands leases. For each barrel of bitumen produced from the specified oil sands until March 21, 2039, or upon termination of mining, whichever is earlier, the Company will pay a royalty equal to 25 grams of Vanadium per barrel of bitumen produced, multiplied by the price of Vanadium Pentoxide 98% min in-warehouse Rotterdam published on the last business day of the month in which the gross production of bitumen occurred. As of December 31, 2018, this related party has paid the Company a deposit of \$110,000, which is recorded as a Deposit on Royalty Agreement. Upon execution of this agreement, the remaining \$190,000 will be paid in installments throughout the next 15 months, with the final \$50,000 payment on March 30, 2020.

##### Notes payable to related party

In December 2015, the Company borrowed \$6,553 (\$9,000 Canadian) under a note agreement with related parties. The lenders were related parties through an immediate family relationship with officers or directors of the Company and a common director. The note payable bore interest at the Bank of Canada Prime rate plus 1%. The Company could repay the loan and outstanding interest thereon by giving notice to the lender 15 days prior to the anticipated repayment. At December 31, 2018, the effective interest rate on these notes payable was 4.95%. The balance of note payable, including interest, to related parties at December 31, 2018 and 2017 was \$7,403 and \$7,718, respectively. The Company recognized interest expense of \$315, \$282 and \$264 for the years ended December 31, 2018, 2017 and 2016, respectively, in its Statements of Operations and Comprehensive Income (Loss).

##### Consulting fees

Mr. Newton is the President and a member of the Board of Directors of the Company. Mr. Newton does not bill the Company for his services as President; however, he has a service agreement with the Company. Pursuant to this agreement, the Company capitalized oil and gas exploration costs and an accrued liability of \$75,240 as of December 31, 2016. In 2017, the Company and Mr. Newton agreed to issue stock in lieu of cash for the amount of \$75,240 by issuing restricted common stock of the Company.

Dr. Michael Ranger is a member of the Board of Directors of the Company. Dr. Ranger does not receive compensation for his services as a member of the board; however, he has a service agreement with the Company, including consulting time and expense reimbursement. Pursuant to this agreement, the Company recognized consulting expenses and an accrued liability of \$9,346 and \$5,131 for the years ended December 31, 2018 and 2017, respectively. For the year ended December 31, 2016, the Company capitalized oil and gas exploration costs and an accrued liability of \$12,662. In 2017, the Company and Dr. Ranger agreed to issue stock in lieu of cash for a portion of his services billed in the amount of \$7,448.

## NOTE 9. SHARE CAPITAL

Pursuant to its articles of incorporation, the Company has an unlimited number of common stock shares available for issuance with no par value. As of December 31, 2018, the Company had 17,093,719 shares of common stock outstanding.

During the year ended December 31, 2016, the Company closed a series of private placements for a total of 623,167 units at \$0.30 to \$0.50 per unit for total offering proceeds of \$138,000 and the payment of a subscription payable for cash received in 2015 of \$21,514. Each unit consisted of one share of common stock for the Company and one Class A Warrant exercisable for one share of common stock at an exercise price of \$0.20 to \$0.50 for a period of five years from the date of placement. Warrants vest on the one-year anniversary date.

On October 17, 2016, the Company closed a private placement with the President of the Company, totaling 45,000 units for total proceeds of \$9,000. Each unit consisted of one share of common stock for the Company and one Class A Warrant exercisable for one share of common stock at an exercise price of \$0.30 for a period of five years from the date of placement. Warrants vest on the one-year anniversary date.

During the year ended December 31, 2016, the Company closed two private placements totaling 380,000 shares of common stock at \$0.20 per common stock share for total proceeds of \$76,000. A related party, a company with a common director, participated in the transactions.

For the year ended December 31, 2017, the Company received proceeds of \$176,052 from private placements totaling 1,380,260 common shares issued to a related party by common director.

For the year ended December 31, 2017, the Company issued 258,208 common shares as stock in-lieu of cash to directors of the Company for services provided during the year ended December 31, 2016.

For the year ended December 31, 2018, the Company received proceeds of \$100,000 from private placements totaling 1,000,000 common shares issued to a related party by common director.

On July 18, 2017, the Company effected a reverse stock split of the Company's Common Stock at a reverse split ratio of 1-for-10, pursuant to a plan approved by the Company's Board of Directors. The reverse stock split was declared effective by the Financial Industry Regulatory Authority ("FINRA") on December 1, 2017. All shares throughout these financial statements have been retroactively adjusted to reflect the reverse stock split.

The following table summarizes warrant activity during the years ended December 31, 2018, 2017 and 2016.

	Number of Warrants	Weighted Average Exercise Price	Warrants Exercisable	Weighted Average Exercise Price
<b>Outstanding December 31, 2015</b>	3,865,797	\$ 2.00	3,509,697	\$ 2.00
Issued	668,166	\$ 0.40		
Canceled / exercised				
Expired				
<b>Outstanding December 31, 2016</b>	4,533,963	\$ 1.70	3,865,797	\$ 2.00
Issued	—			
Canceled / exercised	—			
Expired	(166,666)	\$ 0.68		
<b>Outstanding December 31, 2017</b>	4,367,297	\$ 1.75	4,367,297	\$ 1.75
Issued	—			
Canceled / exercised	—			
Expired	(1,235,741)	\$ 1.54		
<b>Outstanding December 31, 2018</b>	3,131,556	\$ 1.84	3,131,556	\$ 1.84

The following tables summarizes outstanding warrants as of December 31, 2018:

<u>Range of Exercise Price</u>	<u>Warrants Outstanding</u>		<u>Remaining Contractual Life (yrs)</u>
	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	
\$0.20 - \$22.50	3,131,556	\$ 1.84	.12 – 3.98

The Company classified proceeds on December 31, 2018, 2017, and 2016 of \$0, \$0 and \$169,700, respectively, from the private placements of common stock plus warrants as a derivative liability.

#### **NOTE 10. STOCK OPTION PLANS**

##### *Approval of the 2016 Stock Option Plan*

In November 2016, the Board of Directors approved, and the Company adopted the 2016 Stock Option Plan (“the 2016 Plan”). The 2016 Plan provides for the granting of up to 12,000,000 stock options to key employees, directors and consultants, of common shares of the Company. Under the 2016 Plan, the granting of incentive and non-qualified stock options, exercise prices and terms are determined by the Company's Option Committee, a committee designated to administer the 2016 Plan by the Board of Directors. For incentive options, the exercise price shall not be less than the fair market value of the Company's common stock on the grant date. (In the case of options granted to an employee who owns stock possessing more than 10% of the voting power of all classes of the Company's stock on the date of grant, the option price must not be less than 110% of the fair market value of common stock on the grant date.) Options granted are not to exceed terms beyond ten years (five years in the case of an incentive stock option granted to a holder of 10 percent of the Company's common stock).

As of December 31, 2018, there were 11,810,000 shares available for grant.

##### *2006 Stock Option Plan*

In June 2006 the stockholders approved, and the Company adopted its 2006 Stock Option Plan (“the 2006 Plan”). The 2006 Plan provides for the granting of up to 800,000 stock options to key employees, directors and consultants, of common shares of the Company. Under the 2006 Plan, the granting of incentive and non-qualified stock options, exercise prices and terms are determined by the Company's Option Committee, a committee designated to administer the 2006 Plan by the Board of Directors. For incentive options, the exercise price shall not be less than the fair market value of the Company's common stock on the grant date. (In the case of options granted to an employee who owns stock possessing more than 10% of the voting power of all classes of the Company's stock on the date of grant, the option price must not be less than 110% of the fair market value of common stock on the grant date.) Options granted are not to exceed terms beyond ten years (five years in the case of an incentive stock option granted to a holder of 10 percent of the Company's common stock).

In June 2016, the 2006 Plan expired so that no common stock options may be issued under this Plan.

##### *Stock Option Activity*

On June 16, 2017, the Company granted stock options to purchase up to 90,000 shares of common stock to an individual who is a director of the Company. The options vest over two years, have a price of \$0.05 and expire between June 16, 2022 and June 16, 2024.

On November 12, 2017, the Company granted stock options to purchase up to 340,000 shares of common stock to four individuals, of which 320,000 were to directors of the Company. The options vested upon issuance, have a price of \$0.05 and expire on November 12, 2027.

Activity under the 2016 and 2006 Plan is summarized as follows:

<u>Number of Stock Options Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
--	--	--	----------------------------------

			(Years)	
Balance, December 31, 2015	367,000	\$ 3.00		0.00
Option granted	—	—		
Options cancelled	(20,000)	\$ 2.90		
Options exercised	—	—		
Balance December 31, 2016	347,000	\$ 1.20	2.60	0.00
Option granted	430,000	\$ 0.05		
Options cancelled	(40,000)	\$ 5.73		
Options exercised	—	—		
Balance December 31, 2017	737,000	\$ 0.85	7.75	0.00
Option granted	—	—		
Options cancelled	(50,000)	\$ 1.40		
Options exercised	(240,000)	\$ 0.05		
Balance December 31, 2018	447,000	\$ 0.79	6.68	0.00
Exercisable at December 31, 2018	417,000	\$ 0.85	6.55	0.00

The exercise price for outstanding and exercisable common stock options under the 2006 and 2016 Plans at December 31, 2018 range from \$0.05 to \$1.40 per share.

As of December 31, 2018, 2017 and 2016, there was no unrecognized compensation cost related to all options granted and outstanding.

#### NOTE 11. INCOME TAXES

The tax effects of temporary differences that give rise to the Company's deferred tax assets are as follows:

	2018	2017	2016
Loss carryforwards	\$ 766,600	\$ 763,000	\$ 661,000
Capital losses	5,000	5,000	5,000
Office equipment	12,500	12,500	12,500
Oil & Gas properties	1,733,500	1,885,000	1,761,000
Asset retirement obligation	99,300	89,900	83,300
Deferred tax asset	2,616,900	2,755,400	2,522,800
Less valuation allowance	(2,616,900)	(2,755,400)	(2,522,800)
Deferred tax asset recognized	\$ —	\$ —	\$ —

Upon continuation to Canada in 2004, all losses carried forward at that time expired. As of December 31, 2018, the Company had a net Canadian operating loss carry-forwards of approximately \$3.1 million available to offset future taxable income. The carry-forwards began expiring in 2014 and unless utilized will continue to expire. The Company also has approximately \$6.9 million in Canadian oil and gas dedication pools that can be used to offset income of future periods. The amount of oil and gas dedication pools available for deduction in any year may be limited to 30% of the amount available.

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current income. During the years ended December 31, 2018, 2017 and 2016, changes in valuation allowance were (\$218,000), \$757,600 and 571,400, respectively.

The (benefit) provision for income taxes differs from the amount of income tax determined by applying the applicable Canadian statutory federal income tax rate to pre-tax income loss as a result of the following differences:

	2018	2017	2016
Statutory federal income tax rate	-25%	-25%	-25%
Change in valuation allowance	-6%	20%	19%
Non-deductible change in fair value of derivative liability	-45%	-64%	-117%
Non-deductible accretion expense	2%	15%	1%
Effect of foreign exchange	74%	54%	122%
	0%	0%	0%

The Company has evaluated its tax positions for the years ended December 31, 2018, 2017 and 2016 and determined that it has no uncertain tax positions requiring financial statement recognition.

Under ASC 740-10-25, the impact of an uncertain income tax position on income tax expense must be recognized at the largest amount that is more-likely-than-not to be sustained. An uncertain income tax position will not be recognized if it has 50% or less likelihood of being sustained.

Interest and penalties are accrued on uncertain tax positions as a component of the provision for income taxes. There was no amount of interest and penalties recognized as an expense during 2018, 2017 and 2016.

The Company's income tax returns are generally considered closed to examination when a notice of determination is filed with the taxing authority. No such notice has been filed to date. The most recent tax return filed by the Company is for the year ended December 31, 2016.

## **NOTE 12. COMMITMENTS AND CONTINGENCIES**

### ***Environmental Matters***

The Company is engaged in oil and gas exploration and may become subject to certain liabilities as they relate to environmental cleanup of sites or other environmental restoration procedures as they relate to the exploration of oil and gas. Should it be determined that a liability exists with respect to any environmental clean-up or restoration, the liability to cure such a violation could fall upon the Company. No claim has been made, nor is the Company aware of any liability, which it may have, as it relates to any environmental clean-up, restoration or the violation of any rules or regulations relating thereto. Liabilities for expenditures are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

## **NOTE 13. SUBSEQUENT EVENTS**

In accordance with SFAS 165 (ASC 855-10) management has performed an evaluation of subsequent events through the date that the financial statements were available to be issued and has determined that it does not have any material subsequent events to disclose in these financial statements other than the following.

In connection with the negotiations related to the royalty agreement discussed in Note 8, the Company received an additional deposit of \$50,000 on February 7, 2019.

On March 20, 2019, the Company entered into an exclusive license agreement to obtain an exclusive right to deploy patented and field-tested proprietary technologies utilizing steam generation applied to bitumen and heavy oil recovery in the Provinces of Alberta and Saskatchewan. In exchange, the Company has issued 2,991,400 restricted common shares.