Management's Discussion and Analysis
Three and nine months ended September 30, 2017

November 14, 2017

Strategic Oil & Gas Ltd. ("Strategic" or the "Company") is a publicly-traded oil and gas company, with operations focused on light oil development in northern Alberta. The following is management's discussion and analysis ("MD&A") of Strategic's consolidated operating and financial results for the three and nine months ended September 30, 2017, as well as information concerning the Company's future outlook based on currently available information. This MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements for the three and nine months ended September 30, 2017 and 2016, together with the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended September 30			Nine months ended September 30		
Financial ($thousands, except per share amounts)	**2017**	2016	% change	**2017**	2016	% change
Oil and natural gas sales	**8,271**	5,478	51	**27,471**	16,157	70
Funds from (used in) operations [1]	**(333)**	(140)	135	**5,043**	(1,881)	-
Per share basic [1] [3]	**(0.01)**	(0.01)	-	**0.11**	(0.07)	-
Cash provided by (used in) operating activities	**2,149**	2,245	(4)	**4,029**	4,589	(12)
Per share basic [3]	**0.05**	0.08	(38)	**0.09**	0.17	(47)
Net loss [2]	**(36,779)**	(5,985)	515	**(48,237)**	(15,268)	216
Per share basic [3]	**(0.79)**	(0.22)	256	**(1.05)**	(0.56)	88
Net capital expenditures	**13,991**	10,812	29	**44,840**	20,261	121
Adjusted working capital (comparative figure is as of December 31, 2016) [1]	**13,331**	49,956	(73)	**13,331**	49,956	(73)
Net debt (comparative figure is as of December 31, 2016) [1]	**93,418**	51,141	83	**93,418**	51,141	83
Operating						
Average daily production						
Crude oil (bbl per day)	**1,806**	1,231	47	**1,793**	1,390	29
Natural gas (mcf per day)	**3,472**	2,074	67	**3,886**	2,401	62
Barrels of oil equivalent (boe per day)	**2,384**	1,577	51	**2,440**	1,791	36
Average prices						
Oil & NGL ($ per bbl)	**46.63**	44.23	5	**50.62**	39.07	30
Natural gas ($ per mcf)	**1.64**	2.46	(33)	**2.54**	1.93	32
Operating netback ($ per boe) [1]						
Oil and natural gas sales	**37.70**	37.77	-	**41.24**	32.93	25
Royalties	**(3.94)**	(6.42)	(39)	**(4.67)**	(4.60)	2
Operating expenses	**(25.65)**	(22.97)	12	**(21.08)**	(22.26)	(5)
Transportation expenses	**(1.41)**	(0.87)	62	**(1.25)**	(0.79)	58
Operating Netback [1]	**6.70**	7.51	(11)	**14.24**	5.28	170
Common Shares [3] (thousands)						
Common shares outstanding, end of period	**46,391**	27,121	71	**46,391**	27,121	71
Weighted average common shares (basic & diluted)	**46,391**	27,120	71	**46,111**	27,120	71

(1) Funds from operations, adjusted working capital, net debt and operating netback are Non-GAAP measures; see "Non-GAAP measures" in this MD&A.

(2) The comparative condensed statement of loss for the nine months ended September 30, 2016 has been adjusted to reflect a $3.8 million adjustment to deferred tax recovery related to the issuance of convertible debentures.

(3) Adjusted for the share consolidation on a 20:1 basis announced on March 6, 2017.

About Strategic

Strategic is a junior oil and gas company committed to becoming a premier northern oil and gas operator by exploiting its light oil assets primarily in northern Alberta. The Company relies on its extensive subsurface and reservoir experience to develop its asset base and grow production and cash flows while managing risk. The Company maintains control over its resource base through high working interest ownership in wells, construction and operation of its own processing facilities and a significant undeveloped land and opportunity base. Strategic's primary operating area is at Marlowe, Alberta.

ADVISORIES

Basis of presentation

This discussion and analysis of Strategic's oil and natural gas production and related performance measures is presented on a working-interest, before royalty basis. For the purpose of calculating unit information, the Company's production and reserves are reported in barrels of oil equivalent ("boe"). Boe may be misleading, particularly if used in isolation. A boe conversion ratio for natural gas of 6 Mcf: 1 boe has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Management reviews these estimates, including those related to accruals, environmental and decommissioning liabilities, income taxes, and the determination of proved and probable reserves on an ongoing basis. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Non-GAAP measures

The Company utilizes the following terms for measurement within the MD&A that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities.

"Funds from (used in) operations" is a term used to evaluate operating performance and assess leverage. The Company considers funds from (used in) operations an important measure of its ability to generate funds necessary to finance capital expenditures including related decommissioning obligations, acquisitions and debt repayments if any. Funds from (used in) operations are calculated based on cash flow from operating activities before changes in non-cash working capital and decommissioning expenditures. Funds from (used in) operations as presented is not intended to represent cash flow from operating activities, net earnings, or other measures of financial performance calculated in accordance with IFRS.

The following table reconciles funds from (used in) operations to cash provided by operating activities:

	Three months ended September 30		Nine months ended September 30	
($thousands)	**2017**	2016	**2017**	2016
Cash provided by operating activities	**2,149**	2,245	**4,029**	4,589
Expenditures on decommissioning liabilities	**106**	188	**2,232**	715
Changes in non-cash working capital	**(2,588)**	(2,573)	**(1,218)**	(7,185)
Funds from (used in) operations	**(333)**	(140)	**5,043**	(1,881)

"Operating Netback" is used to evaluate operating performance of crude oil and natural gas assets. The term netback is calculated as oil and gas sales revenue excluding realized and unrealized gains and losses on risk management contracts, less royalties, and production costs. There is no IFRS measurement that would be directly comparable to operating netbacks.

"Adjusted working capital" is used to assess capital on hand for funding development and sustaining operations. Adjusted working capital is equal to working capital excluding accrued interest on convertible debentures, as this interest is currently being paid in additional debentures as opposed to cash. The following table reconciles adjusted working capital to working capital:

($thousands)	**September 30, 2017**	December 31, 2016
Current assets	**28,716**	59,157
Current liabilities	**(16,082)**	(11,834)
Working capital	**12,634**	47,323
Accrued interest on convertible debentures	**697**	2,633
Adjusted working capital	**13,331**	49,956

"Net debt" is used to assess capital requirements and leverage, as well as evaluate funds available for capital spending programs and operations. Net debt is calculated as convertible debentures, measured at principal amount outstanding, less working capital or plus working capital deficiency.

PERFORMANCE OVERVIEW, STRATEGY AND OUTLOOK

During the third quarter, Strategic continued to execute its Muskeg summer drilling program. The Company drilled one horizontal Muskeg well at west Marlowe (10-9) and one at North Marlowe (15-34). Both wells were drilled with a 1,900 metre lateral section; the 10-9 well was completed with 20 stages while the 15-34 well was completed with 40 stages. Initial production rates from these new wells on a producing day basis are as follows:

	IP30			IP60		
Well	Oil (bbl/d)	Total (boe/d)	% oil	Oil (bbl/d)	Total (boe/d)	% oil
15-34	186	189	98%	194	203	96%
10-9	144	144	100%	191	202	95%

These results demonstrate the significant potential of the Muskeg light oil play at Marlowe. Strategic also drilled a Slave Point horizontal well which was recently tied in and is on clean up.

Corporate production volumes were 2,384 boe/d for the quarter, which is consistent with the Company's earlier estimate of 2,400 boe/d. Corporate production was curtailed for a portion of the third quarter due to third party restrictions driven by sales pipeline maintenance and a 9-day plant turnaround at Marlowe. Initial production once all wells were brought back online was approximately 2,926 boe/d for the last 9 days of September compared to corporate guidance of 3,500 boe/d, with the shortfall attributable to a longer than expected cleanup period for the 10-9 well and continued underperformance from four of the Muskeg wells drilled in the first quarter of 2017.

In planning the first quarter 2017 drilling program, the Company made several adjustments to the well placement targeting lower in the pay zone to achieve a faster drilling pace. Strategic management has completed a detailed review of the drilling and production techniques used in this program and believes that certain adjustments made may have limited the productivity of those Muskeg wells drilled. As a result of the shortfall in production on the early 2017 wells and higher than expected costs per well, Strategic recorded an asset impairment charge of $30.4 million in the current quarter. The Company does not believe that recent results are reflective of the potential of the Muskeg play. Strategic intends to apply the knowledge obtained from this capital program to improve well design, reduce costs and restore well productivity in future drilling activities.

Capital spending for the quarter was estimated to be $16 million but totaled only $14.0 million due to delays in completion and well equipping projects. Currently all wells drilled in 2017 are equipped and on production.

QUARTERLY SUMMARY

- Capital expenditures of $14.0 million were incurred in the quarter, primarily related to the summer drilling program, a plant turnaround at the 9-17 processing facility and the installation of new production systems on certain Muskeg wells.

- Average daily production increased 51% from the third quarter of 2016 to 2,384 boe/d for the three months ended September 30, 2017, primarily due to new production from the winter Muskeg drilling program. Average production decrease 10% from 2,661 boe/d for the second quarter of 2017 due to production restrictions driven by third party pipeline maintenance and a plant turnaround during the current period.

- Despite higher production levels, funds used in operations increased to $0.3 million for the quarter from $0.1 million for the three months ended September 30, 2016. Funds used in operations for the current period were impacted by $1.0 million in isolated environmental remediation costs in the Marlowe area, as well as severance costs related to executive departures of $0.7 million.

- Strategic maintained capital discipline with its summer drilling program, reducing capital expenditures from the original budget of $24 million by removing two development wells from the program. At September 30, 2017, the Company had $20.5 million in cash and $13.3 million in adjusted working capital.

- The Company issued $3.9 million of additional convertible debentures as payment in kind of interest payable on August 31, 2017 to preserve cash while pursuing its capital spending program. The additional debentures have the same terms as the original debentures except that they are convertible into common shares of the Company at a price of $2.03 per share.

RESULTS OF OPERATIONS

Production

	Three months ended September 30		Nine months ended September 30	
Average daily production volumes	**2017**	2016	**2017**	2016
Oil & NGL (bbl/d)	**1,806**	1,231	**1,793**	1,390
Natural gas (mcf/d)	**3,472**	2,074	**3,886**	2,401
Total (boe/d)	**2,384**	1,577	**2,440**	1,791

Average daily oil & NGL production for the three and nine months ended September 30, 2017 increased by 47% and 29% from the comparative periods in 2016, due to wells drilled in late 2016 and 2017 coming on production. Natural gas production volumes for the three and nine months ended September 30, 2017 increased 67% and 62% from the comparative periods in 2016 due to Muskeg drilling activities.

Revenue

($thousands, except where noted)	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
Sales				
Oil & NGL	**7,747**	5,010	**24,774**	14,886
Natural gas	**524**	468	**2,697**	1,271
Oil and natural gas sales	**8,271**	5,478	**27,471**	16,157
Average prices				
Oil & NGL ($/bbl)	**46.63**	44.23	**50.62**	39.07
Natural gas ($/mcf)	**1.64**	2.46	**2.54**	1.93
Reference prices				
Oil – WTI ($US/bbl)	**48.21**	44.94	**49.47**	41.33
Edmonton par ($/bbl)	**56.78**	54.80	**60.88**	50.13
Natural gas – AECO Daily Index ($/MMBtu)	**1.45**	2.32	**2.30**	1.85

Average oil prices received are a function of the benchmark West Texas Intermediate ("WTI") oil price, less foreign exchange, transportation and quality differentials to arrive at Canadian dollar price received at delivery points in northern Alberta. WTI oil prices rallied late in 2016 as a result of a decision by OPEC to cut production levels, and have fluctuated between US$45-55/bbl in 2017. Strategic's average realized oil price for the third quarter of 2017 increased by 5% from the corresponding period in 2016 due to higher WTI oil prices, partially offset by a stronger Canadian dollar.

Substantially all of the Company's natural gas is sold at AECO pricing, adjusted for fuel charges. Strategic's average natural gas price for the third quarter of 2017 decreased by 33% from the corresponding period in 2016 due to lower AECO gas prices. The Company receives a premium to AECO as a result of the relatively high heat content of natural gas production at Marlowe.

The Company's oil and natural gas sales increased to $8.3 million and $27.5 million for the three and nine months ended September 30, 2017 from $5.5 million and $16.2 million for the respective periods in 2016. The increase was due to an increase in oil prices and higher production levels stemming from drilling and completion activities in late 2016 and 2017.

Royalties

($thousands, except where noted)	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
Crown royalties	**803**	859	**2,893**	2,071
Freehold and overriding royalties	**62**	73	**221**	186
Total royalties	**865**	932	**3,114**	2,257
Per boe	**3.94**	6.42	**4.67**	4.60
Percentage of oil and natural gas sales	**10.5%**	17.0%	**11.3%**	14.0%

Royalties were comparable at $0.9 million for the three months ended September 30, 2017 and 2016 as the increased production came from new wells drilled in 2017 which were on a royalty holiday. Royalties for the nine months ended September 30, 2017 increased to $3.1 million from $2.3 million for the comparative period in 2016 due to higher oil and gas revenues partially offset by lower rates. Royalty rates decreased to 10.5% and 11.3% for the three and nine months ended September 30, 2017 from 17.0% and 14.0% for the comparative periods in 2016 due to more production coming from recently drilled wells.

Effective January 1, 2017 the Modern Royalty Framework ("MRF") announced by the Alberta government in January 2016 replaced the previous royalty regime for all wells drilled after the effective date. Highlights of the

MRF include the replacement of royalty credits and holidays through a drilling and completion cost allowance, a post-payout royalty rate based on commodity prices and the reduction of royalty rates for mature wells. The Company anticipates that the effect of the MRF on netbacks at Marlowe will be slightly positive at current commodity prices. All wells drilled in 2016 and prior years will follow the previous royalty framework for the next ten years.

Operating and transportation costs

	Three months ended September 30		Nine months ended September 30	
($thousands, except per boe amounts)	**2017**	2016	**2017**	2016
Operating costs	**5,626**	3,332	**14,039**	10,921
Transportation costs	**309**	126	**831**	385
	5,935	3,458	**14,870**	11,306
Per boe				
Operating	**25.65**	22.97	**21.08**	22.26
Transportation	**1.41**	0.87	**1.25**	0.79
	27.06	23.84	**22.33**	23.05

Operating costs for the three and nine months ended September 30, 2017 increased to $5.6 million and $14.0 million compared to $3.3 million and $10.9 million for the comparative periods in 2016. The increase in operating costs in the third quarter was a result of environmental remediation activities ($1.0 million), plant turnaround costs ($0.3 million), increased workover expense ($0.3 million), and higher labor, chemicals and rental charges ($0.5 million) reflecting the higher operated wellbase and additional field compression installed at west Marlowe. The Company is currently evaluating alternative lift systems to maximize production from new Muskeg wells without additional rental equipment and related supervision. Operating costs per boe for the three and nine months ended September 30, 2017 increased by 12% and decreased by 5% from the comparative periods in 2016 due to spill remediation costs, labor and workover charges, partially offset by higher production levels in the first nine months of 2017.

Transportation costs for the three and nine months ended September 30, 2017 increased to $0.3 million and $0.8 million from $0.1 million and $0.4 million for the comparative periods in 2016 due to increased trucked volumes in 2017. Oil trucking was required in the third quarter due to a temporary shutdown of a third party sales pipeline. A portion of these costs were recouped by oil trucking rebates from the Alberta government, which were credited to royalties expense. Unit transportation costs for the three and nine months ended September 30, 2017 increased to $1.41/boe and $1.25/boe from $0.87/boe and $0.79/boe for the comparative periods in 2016.

Netbacks

	Three months ended September 30		Nine months ended September 30	
($/boe)	**2017**	2016	**2017**	2016
Revenue	**37.70**	37.77	**41.24**	32.93
Royalties	**(3.94)**	(6.42)	**(4.67)**	(4.60)
Operating costs	**(25.65)**	(22.97)	**(21.08)**	(22.26)
Transportation costs	**(1.41)**	(0.87)	**(1.25)**	(0.79)
Operating netback	**6.70**	7.51	**14.24**	5.28

Strategic's operating netback decreased to $6.70/boe for the three months ended September 30, 2017 from $7.51/boe for the comparative period in 2016 as lower royalties were more than offset by higher operating costs related to plant turnaround, spill remediation and workover expenses. Operating netback for the nine months ended September 30, 2017 increased to $14.24/boe from $5.28/boe for the comparative period in 2016 due primarily to higher oil and gas prices.

Strategic's focus area is Marlowe, which is 100% owned and operated by the Company. The operating netback at Marlowe increased to $17.45/boe for first nine months of 2017 compared to $10.60/boe for 2016 due to higher

commodity prices. The Marlowe netback for the three months ended September 30, 2017 decreased to $9.53/boe from $13.36/boe for the third quarter of 2016 as a result of higher operating costs, partially offset by lower royalty rates. The corporate netback is negatively affected by high fixed operating costs at the Company's minor oil properties in southern Alberta and British Columbia and fixed costs at Bistcho/Cameron Hills, which is currently shut-in due to low commodity prices. Of the Company's total operating costs in the nine months of 2017 of $14.0 million, $2.5 million relates to non-Marlowe assets which produced only 55 boe/d for the period (first nine months of 2016 - $3.0 million related to non-Marlowe assets which produced 68 boe/d).

G&A expense

	Three months ended September 30		Nine months ended September 30	
($thousands, except per boe amounts)	**2017**	2016	**2017**	2016
Gross general and administrative expense	**2,034**	1,351	**5,279**	4,529
Overhead recoveries	**(64)**	(67)	**(198)**	(233)
Capitalized G&A	**(229)**	(230)	**(735)**	(645)
Net G&A expenses	**1,741**	1,054	**4,346**	3,651
Per boe	**7.94**	7.27	**6.52**	7.44

G&A expense reflects all head office costs, a portion of which are charged to operated wells and facilities through overhead recoveries. Costs related to technical office staff that are directly involved in the Company's capital spending programs are capitalized to PP&E. G&A expense for the three and nine months ended September 30, 2017 was $1.7 million and $4.3 million compared to $1.1 million and $3.7 million for the comparative periods in 2016. The increase was due to $0.7 million in severance costs incurred in the third quarter of 2017. On a units-of-production basis, G&A expenses increased to $7.94/boe for the three months ended September 30, 2017 compared to $7.27/boe for the same period in 2016 as increased production was offset by severance costs. G&A expenses decreased to $6.52/boe for the nine months ended September 30, 2017 from $7.44/boe for the comparative period in 2016 due to higher production levels.

Finance expense

	Three months ended September 30		Nine months ended September 30	
($thousands)	**2017**	2016	**2017**	2016
Interest expense	**10**	37	**45**	776
Interest expense on convertible debentures – paid in kind	**1,917**	1,735	**5,743**	4,264
Interest expense on convertible debentures – cash portion	**136**	208	**347**	208
Accretion of decommissioning liabilities	**351**	249	**963**	779
Accretion on promissory notes	**-**	-	**-**	19
Accretion on debentures	**719**	569	**2,087**	1,337
Total	**3,133**	2,798	**9,185**	7,383

Finance expense increased to $3.1 million for the third quarter of 2017 from $2.8 million for the three months ended September 30, 2016 due to increased interest and accretion expense on convertible debentures, as a result of an increase in the amount of debentures outstanding. In addition to debenture interest incurred, an accretion expense is recorded to bring the debenture liability up to the face value of the debentures over the remaining term.

Finance expense for the first nine months of 2017 increased by $1.8 million or 24% from 2016 due to having a full period of interest and accretion on convertible debentures, partially offset by lower interest on bank debt. The Company's outstanding bank debt and promissory notes were both repaid in full using proceeds from the debenture issue, which was completed on February 29, 2016.

Accretion of decommissioning liabilities is an expense intended to reflect an increase in Strategic's discounted decommissioning liability due to the passage of time. Accretion of decommissioning liabilities increased in 2017

compared to 2016 as discount rates increased and decommissioning estimates increased for certain assets during the current period.

As a result of increasing discount rates the Company recorded non-cash gains on revaluation of decommissioning liabilities of $1.8 million and $0.5 million for the three and nine months ended September 30, 2017 in respect of non-core assets which have negligible carrying values.

Stock based compensation

Stock based compensation is a non-cash charge which reflects the estimated value of stock options granted. The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants. The fair value of all stock options granted is recorded as a charge to net loss over the period from the grant date to the vesting date of the option. The fair value of common share options granted is estimated on the date of grant using the Black-Scholes options pricing model.

Stock based compensation expense for the three and nine months ended September 30, 2017 increased by $0.3 million and $1.2 million respectively from 2016 levels as there were 1.5 million new stock options issued in the second quarter of 2017 compared to 0.5 million stock options issued in February 2016. A third of the options vested at the time they were granted; therefore, the fair value of the vested options is expensed on grant date.

Depletion, depreciation & amortization

	Three months ended September 30		Nine months ended September 30	
($thousands, except per boe amounts)	**2017**	2016	**2017**	2016
Depreciation, depletion and amortization ("DD&A")	**4,462**	3,199	**13,013**	10,083
Per boe	**20.34**	22.04	**19.53**	20.55

DD&A is computed individually for each producing area on a unit of production basis, using proved and probable reserves and including future development expenditures in the cost base subject to depletion. DD&A expense also includes amortization of undeveloped land costs. Major components, such as facilities and pipelines, are separated from oil and gas properties and depreciated on a straight-line basis over their estimated useful lives. DD&A expense increased to $4.5 million and $13.0 million for the three and nine months ended September 30, 2017 from $3.2 million and $10.1 million for the 2016 comparative period as a result of higher production levels. DD&A rates per boe decreased slightly from 2016 due to reserves additions, partially offset by the impairment reversal recorded in the fourth quarter of 2016 which increased the Company's property, plant and equipment balance.

Impairment

The Company's exploration, development and production assets are aggregated into cash generating units ("CGUs") based on their ability to generate largely independent cash flows.

The December 31, 2016 reserve volumes and values were evaluated by the Company's independent reserve evaluators. At September 30, 2017 the decline in the Company's market capitalization compared to December 2016 and well performance from certain wells drilled in 2017 were indicators of potential impairment.

The recoverable values of the Company's CGUs were estimated as the fair value less cost to sell based on the net present value of before tax cash flows (discounted at 12%) from crude oil and natural gas proved plus probable reserves originally estimated by the Company's third party reserve evaluators, internally updated for production and drilling activities since December 31, 2016. It was determined that the carrying value of the Steen/Marlowe CGU exceeded the recoverable value of $178.5 million and a $30.4 million impairment was recognized (three and nine months ended September 30, 2016 - $nil). The impairment recorded reflects the Company's best estimates based on currently available information.

At December 31, 2017, in conjunction with the December reserve report from the independent reserve evaluators, the Company will review the aforementioned estimates to determine any future potential impairment or reversal.

Deferred Taxes

Deferred income taxes arise from differences between accounting and tax basis of assets and liabilities, and are recorded based on the current tax status of the Company, income tax rates and management's best estimate of future events, including development expenditures and cash flows. During the year, Strategic recorded a $0.1 million deferred tax liability related to the equity portion of convertible debentures issued during the first nine months of the year (2016 - $3.8 million). As a result, the Company recognized an offsetting amount of previously unrecognized deferred tax assets and a deferred tax recovery of $0.1 million for 2017 (2016 - $3.8 million). The Company has approximately $535 million in tax pools and accumulated losses available to shelter future income, and does not anticipate paying income taxes in the foreseeable future.

Funds from (used in) operations and net loss

	Three months ended September 30		Nine months ended September 30	
($thousands, except per share amounts)	**2017**	2016	**2017**	2016
Funds from (used in) operations	**(333)**	(140)	**5,043**	(1,881)
Per share – basic [1]	**(0.01)**	(0.01)	**0.11**	(0.07)
Per share –diluted [1]	**(0.01)**	(0.01)	**0.05**	(0.07)
Cash flow provided by operating activities	**2,149**	2,245	**4,029**	4,589
Per share – basic [1]	**0.05**	0.08	**0.09**	0.17
Per share –diluted [1]	**0.02**	0.08	**0.04**	0.17
Net loss for the period [2]	**(36,779)**	(5,985)	**(48,237)**	(15,268)
Per share – basic & diluted [1]	**(0.79)**	(0.22)	**(1.05)**	(0.56)

[1] Adjusted for the share consolidation on a twenty to one basis.

[2] The comparative condensed statement of loss has been adjusted to reflect a $3.8 million adjustment to deferred tax recovery related to the issuance of convertible debentures.

Funds used in operations increased to $0.3 million for the three months ended September 30, 2017 compared to $0.1 million for the same period in 2016, primarily due to higher operating costs due to isolated environmental remediation costs at Marlowe and severance costs. Funds from operations totaled $5.0 million for the first nine months of 2017 compared to funds used in operations of $1.9 million in 2016. The increase was primarily due to higher oil and gas prices and production levels during the current period, partially offset by higher operating and G&A expenses.

Cash flow provided by operating activities were comparable at $2.2 million for the three months ended September 30, 2017 and 2016 as increasing revenues were offset by higher operating costs and severance payments. Cash flow provided by operating activities for the nine months ended September 30, 2017 decreased to $4.0 million from $4.6 million for comparative period in 2016 despite higher funds from operations in 2017, as the comparative period benefitted from the collection of a $6.0 million insurance receivable.

Net loss increased to $36.8 million for the three months ended September 30, 2017 from $6.0 million for the same period in 2016 as the increase in revenues and gain on decommissioning liabilities of $1.8 million were offset by higher operating costs, DD&A, G&A expense and stock-based compensation, as well as an impairment loss of $30.4 million for the current period. Net loss for the nine months ended September 30, 2017 increased by $2.4 million from $15.3 million in 2016 to $48.2 million in 2017 due to the impairment loss and a decrease in the deferred tax recovery in the current period.

Capital expenditures

($thousands)	Three months ended September 30 **2017**	2016	Nine months ended September 30 **2017**	2016
Drilling, completions and equipping	**11,989**	7,201	**40,361**	11,571
Pipelines and facilities	**1,973**	3,611	**4,381**	4,245
	13,962	10,812	**44,742**	15,816
Dispositions	**-**	-	**-**	(15)
Total property, plant and equipment	**13,962**	10,812	**44,742**	15,801
Total exploration and evaluations ("E&E")	**29**	-	**98**	4,445
Net capital expenditures	**13,991**	10,812	**44,840**	20,246

Capital expenditures for the quarter ended September 30, 2017 increased to $14.0 million compared to $10.8 million for the third quarter of 2016. Current period projects included drilling two wells, completing 3 wells and a scheduled plant turnaround at Marlowe. The comparative period capital expenditures related to the execution of the 2016 summer drilling program and related road and lease construction.

Capital expenditures increased to $44.8 million for the nine months ended September 30, 2017 from $20.2 million for the comparative period in 2016, due to the execution of two horizontal drilling programs at Marlowe including 8 total wells, pipeline construction to tie in the 14-35 well drilled in the first quarter of 2016 and minor recompletions and equipping projects. To date in 2017 drilling and completion costs have exceeded internal estimates due to cost inflation in the field and minor operational issues on two wells, while pipeline projects were completed below the Company's cost estimates due to efficiencies and a lack of weather-related downtime in the first quarter. Prior period capital expenditures included drilling three horizontal and one vertical exploratory Muskeg wells at Marlowe.

Decommissioning liabilities

Decommissioning liabilities decreased to $51.2 million at September 30, 2017 from $52.7 million at December 31, 2016 due to an increase in long-term discount rates and decommissioning expenditures during the year of $2.2 million, offset by a change in estimated costs of decommissioning liabilities related to plant remediation at Marlowe for $1.5 million, and additional liabilities incurred on new wells drilled. The current portion of the decommissioning liabilities at September 30, 2017 includes $1.8 million related to remediation of the site of a prior year pipeline spill, as well as well abandonment costs that are scheduled for completion in the first quarter of 2018.

SUMMARY OF QUARTERLY FINANCIAL DATA

The following table summarizes quarterly financial results:

Quarter ended ($thousands, except where noted)	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Petroleum and natural gas sales	**8,271**	10,312	8,888	7,721
Net (loss) income	**(36,779)**	(7,020)	(4,442)	48,510
Net (loss) income per share – basic [(1)]	**(0.79)**	(0.15)	(0.10)	1.69
Net (loss) income per share – diluted [(1)]	**(0.79)**	(0.15)	(0.10)	0.62
Average daily production (boed)	**2,384**	2,661	2,273	1,859
Average price ($/boe)	**46.63**	42.58	43.44	45.13

Quarter ended ($thousands, except where noted)	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016 (adjusted) (2)	Dec 31, 2015
Petroleum and natural gas sales	5,478	5,974	4,705	7,349
Net loss	(5,985)	(5,800)	(3,483)	(31,790)
Net loss per share – basic & diluted	(0.22)	(0.21)	(0.13)	(1.17)
Average daily production (boed)	1,577	1,829	1,968	2,194
Average price ($/boe)	44.23	35.89	26.26	36.41

(1) Adjusted for the share consolidation on a twenty to one basis.

(2) The condensed statement of loss for the three months ended March 31, 2016 has been adjusted to reflect a $3.8 million adjustment to deferred tax recovery related to the issuance of convertible debentures.

Oil and natural gas sales are a function of average daily production levels, the oil/gas production mix and commodity prices and increased significantly with higher production levels in the first two quarters of 2017. Sales were highest in the second quarter of 2017 as production was at its highest level at 2,661 boe/d.

Net loss varies with funds from operations, as well as non-cash expenses incurred such as stock-based compensation, non-cash finance costs, DD&A and impairment. Net income of $48.5 million for the fourth quarter in 2016 was driven by a net impairment recovery of $52.7 million. Net loss is highest in the third quarter of 2017 due to an impairment charge of $30.4 million. Maintaining positive net income on a consistent basis will depend on the Company's ability to increase sales volumes and reduce unit production costs and DD&A, as well as on an increase in commodity prices.

LIQUIDITY AND CAPITAL RESOURCES

The Company considers its capital structure to include shareholders' equity, adjusted working capital, bank debt and convertible debentures. The objectives of the Company are to maintain financial flexibility to achieve goals of continued growth and access to capital. In order to maintain or adjust the capital structure, Strategic may issue new common shares, issue or repay debt, or adjust exploration and development capital expenditures. The Company monitors its capital structure based on net debt and adjusted working capital, as calculated below:

($thousands)	**September 30, 2017**	December 31, 2016
Current assets	**28,716**	59,157
Accounts payable and accrued liabilities	**(12,100)**	(5,760)
Current decommissioning liabilities	**(3,285)**	(3,441)
Adjusted working capital	**13,331**	49,956
Accrued interest on convertible debentures	**(697)**	(2,633)
Convertible debentures (1)	**(106,052)**	(98,464)
Net debt	**(92,418)**	(51,141)

(1) Convertible debentures are measured at principal amount outstanding.

Adjusted working capital dropped to $13.3 million at September 30, 2017 from $50.0 million at December 31, 2016 due to capital expenditures exceeding funds from operations for the first nine months of 2017. Approximately $4.5 million of the working capital balance is held in term deposits to collateralize outstanding letters of credit.

The Company has senior secured convertible debentures ("Debentures") outstanding. The Debentures mature on Feb 28, 2021 and bear an annual interest rate of 8.0%, payable semi-annually in arrears, with an option for the Company to pay the interest in an equivalent principal amount of debentures ("PIK option") for the first two years. The Debentures are convertible into common shares at various conversion prices, subject to adjustment in certain events. The Debentures can be called prior to the maturity date by the Company if either a) the 90-day weighted average trading price of Strategic common shares is over four times the conversion price, or b) anytime in the fifth year of the term. The convertible debentures have been classified as a financial liability, net of issue costs and net of the equity component.

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

On August 31, 2017, $3.9 million of additional convertible debentures were issued as payment of interest in kind. Of the $3.9 million, $3.0 million were issued to entities controlled or jointly controlled by directors of the Company and an additional $0.2 million were issued to directors and officers of the Company. The carrying amount of the financial liability of these convertible debentures was determined by discounting the stream of future payments of interest and principal using a rate of 10.40%, the estimated rate for debt with similar terms without conversion features.

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

($000)	**Convertible Debentures Component**	**Equity Component**	**Total**
Balance at December 31, 2016	$ **84,489**	**$ 9,878**	**$ 94,367**
Additional debentures issued as payment in kind of interest	7,077	511	7,588
Issuance costs	(44)	(3)	(47)
Deferred tax recovery	-	(138)	(138)
Debentures converted	(4)	(1)	(5)
Accretion expense	2,087	-	2,087
Balance at September 30, 2017	$ **93,605**	**$ 10,247**	**$ 103,852**

The liability component of all debentures issued is being accreted to the adjusted principal amount of $106.1 million at maturity. Below is a summary of the debentures issued and the related conversion prices:

Issue Date	Principal Amount ($000)	Conversion Price ($/share)
February 29, 2016	94,847	1.80
August 31, 2016	3,617	3.30
February 28, 2017	3,724	2.70
August 31, 2017	3,864	2.03
Total	106,052	

The Company intends to pay the February 28, 2018 interest payment in an equivalent principal amount of debentures. At current commodity prices and production levels, Strategic's cash on hand and cash from operations is sufficient to fund operations in the near term. The Company may also access capital through new equity or debt issuances as required to for its capital expenditure plans at Marlowe.

SHARE CAPITAL

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Weighted average common shares outstanding (thousands)				
Basic & Diluted	**46,391**	27,120	**46,111**	27,120

	September 30, 2017	December 31, 2016
Outstanding securities (thousands)		
Common shares	**46,391**	43,978
Stock options	**2,490**	1,032

On January 31, 2017, the Company issued a total of 2.4 million common shares via a brokered private placement at a price of $2.40 per common shares for gross proceeds of $5.7 million (net proceeds of $5.3 million after transaction costs). Proceeds from the private placement were applied towards the execution of the Company's capital program for the first half of 2017 and used for general corporate purposes.

For the nine months ended September 30, 2017, the Company issued 1.5 million stock options to directors, officers, employees and consultants. Each option entitles the holder to acquire one common share of the Company for a period of five years at a price of $2.65 per share.

As of November 10, 2017 there were 46,391,087 common shares outstanding and 2,489,816 stock options outstanding. If all of the outstanding Debentures were converted into common shares, an additional 57,072,039 common shares would be issued.

TRANSACTIONS WITH RELATED PARTIES

For the three and nine month periods ended September 30, 2017, legal fees in the amount of $0.1 million and $0.1 million (September 30, 2016 - $0.1 million and $0.2 million), respectively were incurred with a legal firm of which a director is a partner, and these amounts are included as general and administrative expenses or share issue costs. Software rental expense of $0.2 million (September 30, 2016 - $0.2 million) were incurred with a company controlled by an officer. Accounts payable and accrued liabilities at September 30, 2017 include $0.1 million (December 31, 2016 - $0.1 million) due to related parties. Accrued interest on convertible debentures at September 30, 2017 include $0.6 million (December 31, 2016 - $2.2 million) due to related parties. The above transactions were conducted in the normal course of operations and were recorded at exchange amounts which were agreed upon between the Company and the related parties.

COMMITMENTS

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

Year	Office ($000)	Gas transportation ($000)
2017	$ 106	$ 243
2018	391	454
2019	371	433
2020	1	414
2021	-	367
2022 and thereafter	-	432
	$ 869	$ 2,343

FUTURE ACCOUNTING PRONOUNCEMENTS

Future accounting pronouncements are unchanged from those identified in note 3(n) the Company's consolidated financial statements for the year ended December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

This MD&A is based on Strategic's interim condensed consolidated financial statements, which have been prepared in accordance with IFRS. A summary of the Company's significant accounting policies is contained in *Note 3* to the Company's consolidated financial statements for the year ended December 31, 2016. These accounting policies are subject to estimates and key judgments about future events, many of which are beyond the Company's control. Actual results may differ from these estimates and the differences may be significant. A discussion of specific estimates employed in the preparation of the Company's interim condensed consolidated financial statements is included in Strategic's MD&A for the year ended December 31, 2016.

BUSINESS RISKS

There are numerous risks facing participants in the oil and gas industry. Some of the risks are common to all businesses while others are specific to a sector. While Strategic realizes that these risks cannot be eliminated, it is committed to monitoring and mitigating these risks.

Substantial capital requirements and liquidity

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

Strategic has $106.1 million in Debentures outstanding. The Company has been paying interest in kind but the PIK option is only available until February 28, 2018. Strategic will need to increase production levels and cash flows in order to manage the repayment of the Debentures by the maturity date.

Carbon Tax

The government of Alberta has introduced carbon tax measures that will affect all businesses that contribute to carbon emissions in the province. The budget introduced a carbon tax of $20 per tonne starting on January 1, 2017, and increasing to $30 per tonne on January 1, 2018.

In October 2016, the Canadian federal government announced a new national carbon pricing regime, proposing a benchmark carbon pricing program that includes, at a minimum, a price on carbon emissions of $10 per tonne in 2018, rising by $10 per tonne each year to $50 per tonne in 2022. The government also proposed a federal backstop in the event that provinces fail to meet the benchmark.

Additional details of the federal and Alberta carbon pricing proposals are expected to be finalized in the coming months, and further legislation and regulation is expected. The Company is evaluating the potential impact of these proposals on its operations.

Environmental Concerns

The operation of oil and natural gas wells involves a number of natural hazards that may result in blowouts, environmental damage or other unexpected or dangerous conditions resulting in liability to the Company and possibly liability to fourth parties. The oil and natural gas industry is subject to extensive environmental regulation that provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations, and such regulations may be expanded to include regulation of, among other things, emissions of carbon dioxide. In addition, legislation requires that well and facility sites are abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in fines or the issuance of clean-up orders. The Company carries insurance to mitigate the cost of remediating damage from environmental incidents, but there can be no assurance that the insurance will cover all types of incidents or that remediation costs will not exceed the limit of the insurance carried. In addition, the Company will make reasonable provisions for well abandonment, facility decommissioning and site remediation where appropriate; however there can be no assurance that such provisions will be sufficient to satisfy all such obligations. In addition, decommissioning expenditures that are planned for the first 12 months after the reporting

date are classified as current liabilities on the balance sheet and affect the Company's working capital and net debt levels.

Regulation

The Company is operating in a highly regulated industry. On June 20, 2016 the Alberta Energy Regulator ("AER") issued Bulletin 2016-16, which restricts the ability of companies in the energy industry to transfer assets and licenses to third parties and increases the time and effort involved in obtaining a new license. As the number of regulations applicable to the Company increase, so will the costs of compliance.

In 2017 the government of the Northwest Territories issued revised guidelines with respect to well suspension and abandonment. The guidelines include new deadlines for suspending and subsequently abandoning wells that are no longer productive. The guidelines are effective February 1, 2017 and will result in Strategic having to incur suspension and abandonment costs sooner than anticipated for wells drilled in the Northwest Territories. The Company is currently evaluating the impact of these guidelines on its asset base.

Other business risks affecting Strategic's operations are substantially unchanged from those presented in the Company's MD&A and annual information form for the year ended December 31, 2016.

FORWARD-LOOKING STATEMENTS

This report includes certain information, with management's assessment of Strategic's future plans and operations, and contains forward-looking statements which may include some or all of the following: (i) anticipated production rates; (ii) expected capital spending and decommissioning costs; (iii) the Company's plans with respect to payment of interest on convertible debentures; (iv) potential profitability and productivity of the Company's asset base; (v) the impact of cost reduction initiatives; (vi) availability of current working capital for development and additional sources of funding, which are provided to allow investors to better understand Strategic's business. By their nature, forward-looking statements are subject to numerous risks and uncertainties; some of which are beyond Strategic's control, including the impact of general economic conditions, industry conditions, operations risks, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources, and other risks and uncertainties described under the heading 'Risk Factors' and elsewhere in the Company's Annual Information Form for the year ended December 31, 2016 and other documents filed with Canadian provincial securities authorities, available to the public at www.sedar.com. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The principal assumptions Strategic has made includes security of land interests; drilling cost stability; royalty rate stability; oil and gas prices to remain in their current range; finance and debt markets continuing to be receptive to financing the Company and industry standard rates of geologic and operational success. Strategic's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements or if any of them do so, what benefits that Strategic will derive there from. Strategic disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Further information with respect to the Company can be found on its website at www.sogoil.com and on the SEDAR website: www.sedar.com.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2017 and 2016

Strategic Oil & Gas Ltd.

Interim condensed consolidated balance sheets (unaudited)

($000) As at	Note	September 30, 2017	December 31, 2016
Assets			
Current Assets:			
Cash and cash equivalents		**$ 20,515**	$ 50,802
Term deposits	4	**4,541**	4,667
Trade and other receivables		**3,488**	3,580
Inventory		**172**	108
		28,716	59,157
Property, plant, and equipment, net	6	**178,507**	175,073
Exploration and evaluation assets	5	**12,669**	14,438
Total Assets		**$ 219,892**	$ 248,668
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities		**$ 12,100**	$ 5,760
Accrued interest on convertible debentures		**697**	2,633
Decommissioning liabilities	7	**3,285**	3,441
		16,082	11,834
Convertible debentures	8	**93,605**	84,489
Decommissioning liabilities	7	**47,884**	49,210
Total Liabilities		**157,571**	145,533
Shareholders' Equity			
Share capital	9	**365,466**	360,073
Equity component of convertible debentures	8	**10,247**	9,878
Contributed surplus		**12,724**	11,063
Deficit		**(326,116)**	(277,879)
		62,321	103,135
Total Liabilities and Shareholders' Equity		**$ 219,892**	$ 248,668

See accompanying notes to the Interim Condensed Consolidated Financial Statements
Certain comparative figures have been reclassified to conform to the current year's presentation (Note 2).

Strategic Oil & Gas Ltd.

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

		Three months ended September 30		Nine months ended September 30	
($000, except per share amounts)	Note	**2017**	2016	**2017**	2016
Revenue					
Petroleum and natural gas sales		**$ 8,271**	$ 5,478	**$ 27,471**	$ 16,157
Royalties		**(865)**	(932)	**(3,114)**	(2,257)
Revenue, net of royalties		**7,406**	4,546	**24,357**	13,900
Finance income		**83**	70	**294**	160
		7,489	4,616	**24,651**	14,060
Expenses					
Operating		**5,626**	3,332	**14,039**	10,921
Transportation		**309**	126	**831**	385
General and administrative		**1,741**	1,054	**4,346**	3,651
Finance costs	11	**3,133**	2,798	**9,185**	7,383
Stock-based compensation	10	**457**	92	**1,678**	443
Depletion, depreciation and amortization		**4,462**	3,199	**13,013**	10,083
Impairment	6	**30,400**	-	**30,400**	-
Revaluation on decommissioning liabilities	7	**(1,791)**	-	**(466)**	-
Change in fair value of conversion option		**-**	-	**-**	278
Gain on disposal of property, plant and equipment		**-**	-	**-**	(40)
		44,337	10,601	**73,026**	33,104
Operating loss before taxes		**(36,848)**	(5,985)	**(48,375)**	(19,044)
Deferred tax recovery	12	**69**	-	**138**	3,776
Net loss and comprehensive loss		**$ (36,779)**	$ (5,985)	**$ (48,237)**	$ (15,268)
Net loss per weighted average share					
Basic & Diluted		**$ (0.79)**	$ (0.22)	**$ (1.05)**	$ (0.56)

See accompanying notes to the Interim Condensed Consolidated Financial Statements.
Certain comparative figures have been reclassified to conform to the current year's presentation (Note 2).

Strategic Oil & Gas Ltd.

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

($000)	Share Capital	Convertible Debenture Equity Component	Contributed Surplus	Deficit	Total Equity
Balance January 1, 2017	**$ 360,073**	**$ 9,878**	**$ 11,063**	**$ (277,879)**	**$ 103,135**
Shares issued	5,750	-	-	-	5,750
Share issue costs	(411)	-	-	-	(411)
Stock options exercised	49	-	(17)	-	32
Debentures converted	5	-	-	-	5
Stock based compensation	-	-	1,678	-	1,678
Equity component of convertible debentures	-	369	-	-	369
Net loss	-	-	-	(48,237)	(48,237)
Balance September 30, 2017	**$ 365,466**	**$ 10,247**	**$ 12,724**	**$ (326,116)**	**$ 62,321**

($000)	Share Capital	Convertible Debenture Equity Component	Contributed Surplus	Deficit	Total Equity
Balance January 1, 2016	**$ 319,678**	**$ -**	**$ 10,558**	**$ (311,121)**	**$ 19,115**
Stock options exercised	13	-	(4)	-	9
Stock based compensation	-	-	443	-	443
Equity component of convertible debentures	-	13,654	-	-	13,654
Net loss	-	-	-	(15,268)	(15,268)
Balance September 30, 2016	**$ 319,691**	**$ 13,654**	**$ 10,997**	**$ (326,389)**	**$ 17,953**

See accompanying notes to the Interim Condensed Consolidated Financial Statements.
Certain comparative figures have been reclassified to conform to the current year's presentation (Note 2).

Strategic Oil & Gas Ltd.

Interim condensed consolidated statements of cash flow (unaudited)

($000)	Note	Three months ended September 30 2017	Three months ended September 30 2016	Nine months ended September 30 2017	Nine months ended September 30 2016
Operating activities:					
Net loss for the period		**$ (36,779)**	$ (5,985)	**$ (48,237)**	$ (15,268)
Non-cash items:					
Depletion, depreciation, and amortization		**4,462**	3,199	**13,013**	10,083
Stock-based compensation		**457**	92	**1,678**	443
Change in fair value of conversion option		**-**	-	**-**	278
Impairment	6	**30,400**	-	**30,400**	-
Revaluation on decommissioning liabilities		**(1,791)**	-	**(466)**	-
Deferred tax recovery	12	**(69)**	-	**(138)**	(3,776)
Non-cash finance costs	11	**2,987**	2,554	**8,793**	6,399
Gain on disposal of property, plant and equipment		**-**	-	**-**	(40)
Expenditures on decommissioning liabilities		**(106)**	(188)	**(2,232)**	(715)
Change in non-cash working capital	13	**2,588**	2,573	**1,218**	7,185
Cash provided by operating activities		**2,149**	2,245	**4,029**	4,589
Financing activities:					
Issue of common shares		**-**	-	**5,750**	-
Issue of debentures, net of transaction costs		**(29)**	-	**(47)**	92,556
Share issuance costs		**-**	-	**(411)**	-
Exercise of stock options		**1**	6	**32**	9
Repayment of bank loan		**-**	-	**-**	(42,857)
Repayment of promissory notes		**-**	-	**-**	(10,000)
Change in non-cash working capital	13	**(109)**	33	**(93)**	(123)
Cash provided by (used in) financing activities		**(137)**	39	**5,231**	39,585
Investing activities:					
Expenditures – property, plant and equipment		**(13,962)**	(10,812)	**(44,742)**	(15,816)
Expenditures – exploration and evaluation assets		**(29)**	-	**(98)**	(4,445)
Investment in term deposits		**220**	4	**126**	(4,566)
Proceeds on disposal of property, plant and equipment		**-**	-	**-**	15
Changes in non-cash working capital	13	**2,539**	4,049	**5,167**	3,317
Cash used in investing activities		**(11,232)**	(6,759)	**(39,547)**	(21,495)
Increase (decrease) in cash and cash equivalents during the period		**(9,220)**	(4,476)	**(30,287)**	22,679
Cash and cash equivalents, beginning of the period		**29,735**	27,158	**50,802**	3
Cash and cash equivalents, end of the period		**$ 20,515**	$ 22,682	**$ 20,515**	$ 22,682

See accompanying notes to the Interim Condensed Consolidated Financial Statements.
Certain comparative figures have been reclassified to conform to the current year's presentation (Note 2).

1. Corporate information

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

2. Basis of presentation

a) Statement of compliance

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

These financial statements were authorized for issue by the Board of Directors on November 14, 2017.

b) Basis of measurement

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

c) Functional and presentation currency

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

3. Significant accounting policies

a) Financial instruments

Cash and cash equivalents

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

Convertible debentures

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

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

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

b) Future accounting policy changes

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

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

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

4. Term deposits

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

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

($000)	September 30, 2017	December 31, 2016
Opening balance	**$ 14,438**	$ 11,169
E&E expenditures	**98**	4,447
E&E transfer to Property, plant and equipment	**(1,407)**	(11)
Amortization for the period	**(460)**	(1,167)
Closing balance	**$ 12,669**	$ 14,438

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

($000) Carrying value before accumulated depletion, depreciation and impairment	D&P assets	Office	Total
As at December 31, 2016	$ 475,529	$ 1,171	$ 476,700
Additions	44,737	5	44,742
E&E transfer	1,407	-	1,407
Change in decommissioning costs	252	-	252
As at September 30, 2017	**$ 521,925**	**$ 1,176**	**$ 523,101**

($000) Accumulated depletion, depreciation and impairment	D&P assets	Office	Total
As at December 31, 2016	$ 300,498	$ 1,129	$ 301,627
Depreciation and depletion	12,521	32	12,553
Depreciation and depletion capitalized to inventory	14	-	14
Impairment	30,400	-	30,400
As at September 30, 2017	**$ 343,433**	**$ 1,161**	**$ 344,594**

($000) Net carrying value	D&P assets	Office	Total
As at December 31, 2016	$ 175,031	$ 42	$ 175,073
As at September 30, 2017	**$ 178,492**	**$ 15**	**$ 178,507**

Substantially all of the Company's development and production assets are located within Canada. The cost of PPE includes the provision for decommissioning obligations. For the three and nine month periods ended September 30, 2017, $0.2 million and $0.7 million, respectively, of general and administrative expenses related to technical office staff that are directly involved in the Company's capital spending programs were capitalized to PPE ($0.2 million and $0.6 million for the three and nine month periods ended September 30, 2016).

Future capital costs of $143.4 million (September 30, 2016 - $138.3 million) have been included in the depletable balance as at September 30, 2017. Major components costs – such as facilities and pipelines, which are depreciated separately, are $59.2 million (September 30, 2016 - $63.8 million) with a net carrying value of $46.9 million (September 30, 2016 - $52.8 million).

Impairment

The Company's exploration, development and production assets are aggregated into cash generating units ("CGUs") based on their ability to generate largely independent cash flows.

The December 31, 2016 reserve volumes and values were evaluated by the Company's independent reserve evaluators. At September 30, 2017 the decline in the Company's market capitalization compared to December 2016 and well performance from certain wells drilled in 2017 were indicators of potential impairment.

The recoverable values of the Company's CGUs were estimated as the fair value less cost to sell based on the net present value of before tax cash flows (discounted at 12%) from crude oil and natural gas proved plus probable reserves originally estimated by the Company's third party reserve evaluators, internally updated for production and drilling activities since December 31, 2016.

In determining impairment, the Company considered various estimates, including future pricing, timing of capital expenditures, and impact of changes in cost structures. Forecast benchmark prices and exchange rates were as follows:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027+
Edmonton CS (CAD$/bbl)	69.80	72.70	75.50	81.10	86.60	88.30	90.00	91.80	93.70	95.60	97.40
AECO Gas Price (CAD$/mcf)	3.40	3.15	3.30	3.60	3.90	3.95	4.10	4.25	4.30	4.40	4.50

It was determined that the carrying value of the Steen/Marlowe CGU exceeded the recoverable value of $178.5 million and a $30.4 million impairment was recognized (three and nine months ended September 30, 2016 - $nil). The impairment recorded reflects the Company's best estimates based on currently available information. At December 31, 2017, in conjunction with the December reserve report from the independent reserve evaluators, the Company will review the aforementioned estimates to determine any future potential impairment or reversal.

7. Decommissioning liabilities

Total future decommissioning liabilities are estimated based on the Company's net working interest in all wells and facilities, the estimated costs to abandon and reclaim the wells, pipelines and facilities and the estimated timing of the costs to be incurred in future periods. These costs are expected to be incurred over a range up to 34 years, depending on the estimated reserve life. The undiscounted amount of the estimated costs at September 30, 2017 were $101.7 million (December 31, 2016 - $97.6 million). The estimated costs have been discounted at a risk free rate from 1.58% to 2.49% (December 31, 2016 – 0.78% to 2.34%) and an inflation rate of 2% (December 31, 2016 – 2%) was applied.

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

($000)	Nine months ended September 30, 2017	Year ended December 31, 2016
Balance beginning of the period	**$ 52,651**	$ 53,889
Liabilities incurred during the period	**674**	530
Disposition of decommissioning liabilities	**-**	(25)
Expenditures on existing liabilities	**(2,232)**	(1,625)
Change in estimated future cash flows	**1,029**	2,284
Change in discount rate	**(1,916)**	(3,458)
Accretion	**963**	1,056
Balance end of the period	**$ 51,169**	$ 52,651
Current	**3,285**	3,441
Long term	**$ 47,884**	$ 49,210

The change in estimated future cash flows includes an increase of $1.5 million (December 31, 2016 - $2.6 million) in the cost estimate of the decommissioning liability related to plant remediation at Steen River, expected to be expended by the end of 2048. The change in discount rate includes $0.5 million related to CGUs that had previously been impaired and was recorded as a revaluation on decommissioning liabilities through the interim condensed consolidated statements of net loss and comprehensive loss.

8. Convertible Debentures

The Company has senior secured convertible debentures ("Debentures") outstanding. The Debentures mature on February 28, 2021 and bear an annual interest rate of 8.0%, payable semi-annually in arrears, with an option for the Company to pay the interest in an equivalent principal amount of debentures for the first two years. The Debentures are convertible into common shares at various conversion prices, subject to adjustment in certain events. The Debentures can be called prior to the maturity date by the Company if either a) the 90-day weighted average trading price of Strategic common shares is over four times the conversion price, or b) anytime in the fifth year of the term. The convertible debentures have been classified as a financial liability, net of issue costs and net of the equity component.

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

On August 31, 2017, $3.8 million of debentures were issued as payment of interest in kind. Of the $3.8 million, $3.0 million were issued to entities controlled or jointly controlled by directors of the Company and an additional $0.2 million were issued to directors and officers of the Company. The carrying amount of the financial liability of these convertible debentures was determined by discounting the stream of future payments of interest and principal, using a rate of 10.40% the estimated rate for debt with similar terms without conversion features.

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

($000)		Liability Component		Equity Component		Total
Balance at December 31, 2016	$	**84,489**	**$**	**9,878**	**$**	**94,367**
Additional debentures issued as payment in kind of interest		7,077		511		7,587
Issuance costs		(44)		(3)		(47)
Deferred tax recovery (Note 12)		-		(138)		(138)
Debentures converted		(4)		(1)		(5)
Accretion expense		2,087		-		2,087
Balance at September 30, 2017	$	**93,605**	**$**	**10,247**	**$**	**103,852**

The liability component of all debentures issued is being accreted to the adjusted principal amount of $106.1 million at maturity. Below is a summary of the debentures issued and the related conversion prices:

Issue Date	Principal Amount ($000)	Conversion Price ($/share)
February 29, 2016	94,847	1.80
August 31, 2016	3,617	3.30
February 28, 2017	3,724	2.70
August 31, 2017	3,864	2.03

9. Share capital

a) Authorized

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

b) Issued and outstanding

($000)	Number of shares (000)		Nine months ended September 30, 2017
Balance at December 31, 2016	43,978	$	360,073
Shares issued	2,396		5,750
Share issue costs	-		(411)
Debentures converted	3		5
Exercise of options	14		49
Balance at September 30, 2017	46,391	$	365,466

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

c) Weighted average shares

(000)	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Weighted average shares (basic & diluted)	**46,391**	27,120	**46,111**	27,120

For the three and nine month periods ended September 30, 2017, outstanding stock options and convertible debentures were excluded from the calculations as they were anti-dilutive.

10. Stock-based compensation

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

	Number of options	Weighted average Exercise Price
Balance at December 31, 2016	**1,031,750**	$ 8.24
Granted	1,523,000	2.65
Exercised	(14,434)	2.12
Cancelled/Forfeited	(7,750)	10.36
Expired	(42,750)	17.30
Balance at September 30, 2017	**2,489,816**	$ 4.69

The following table sets out the outstanding and exercisable options as at September 30, 2017:

Outstanding Options			Exercisable Options	
Number of Options	Weighted Average Exercise Price	Weighted Average Life Years	Number of Options	Weighted Average Exercise Price
2,025,566	$ 2.44	4.23	984,166	$ 2.31
259,000	8.39	1.93	259,000	8.39
2,750	9.71	1.57	2,750	9.71
500	15.00	0.25	500	15.00
26,500	16.61	0.14	26,500	16.61
2,000	19.55	0.83	2,000	19.55
500	21.20	0.85	500	21.20
154,250	23.14	0.26	154,750	23.14
18,750	25.92	0.35	18,750	25.92
2,489,816	$ 4.69	3.66	1,448,416	$ 6.67

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

	Nine months ended September 30	
Assumptions	**2017**	2016
Risk free interest rate (%)	**1.01**	1.12
Expected life (years)	**3.41**	3.54
Expected volatility (%)	**100.29**	83.10
Forfeiture rate (%)	**7.91**	12.79
Weighted average fair value of options granted	**1.74**	0.05

11. Finance costs

($000)	Three months ended September 30 2017	Three months ended September 30 2016	Nine months ended September 30 2017	Nine months ended September 30 2016
Interest	**$ 10**	$ 37	**$ 45**	$ 776
Interest expense on convertible debentures – paid in kind	**1,917**	1,735	**5,743**	4,264
Interest expense on convertible debentures – cash portion	**135**	208	**347**	208
Accretion of decommissioning liabilities	**351**	249	**963**	779
Accretion on promissory notes	**-**	-	**-**	19
Accretion on debentures	**719**	569	**2,087**	1,337
Total finance costs	**$ 3,132**	$ 2,798	**$ 9,185**	$ 7,383

12. Income taxes

For the nine months ended September 30, 2017, the Company recorded a deferred tax liability of $0.1 million (Nine months ended September 30, 2016 - $3.8 million) related to the temporary difference between accounting and tax values of the equity component of convertible debentures issued during the period. As a result, the Company was able to realize $0.1 million (September 30, 2016 - $3.8 million) of previously unrecognized deferred tax assets and a corresponding deferred tax recovery.

13. Supplemental cash flow information

($000)	Three months ended September 30 2017	Three months ended September 30 2016	Nine months ended September 30 2017	Nine months ended September 30 2016
Interest paid	**$ 145**	$ 245	**$ 392**	$ 984
Changes in non-cash working capital				
Trade and other receivables	**670**	432	**92**	6,660
Inventory	**53**	24	**(64)**	7
Accumulated depletion in inventory	**(45)**	(20)	**14**	(22)
Accounts payable and accrued liabilities	**4,427**	4,337	**6,340**	4,381
Withholding tax on debenture interest	**(87)**	1,882	**(90)**	(647)
	$ 5,018	$ 6,655	**$ 6,292**	$ 10,379
Operating	**2,588**	2,573	**1,218**	7,185
Financing	**(109)**	33	**(93)**	(123)
Investing	**2,539**	4,049	**5,167**	3,317
	$ 5,018	$ 6,655	**$ 6,292**	$ 10,379

14. Transactions with related parties

For the three and nine month periods ended September 30, 2017, legal fees in the amount of $0.1 million and $0.1 million (September 30, 2016 - $0.1 million and $0.2 million), respectively were incurred with a legal firm of which a director is a partner, and these amounts are included as general and administrative expenses or share issue costs. Software rental expense of $0.2 million (September 30, 2016 - $0.2 million) were incurred with a company controlled by an officer. Accounts payable and accrued liabilities at September 30, 2017 include $0.1 million (December 31, 2016 - $0.1 million) due to related parties. Accrued interest on convertible debentures at September 30, 2017 include $0.6 million (December 31, 2016 - $2.2 million) due to related parties. The above transactions were conducted in the normal course of operations and were recorded at exchange amounts which were agreed upon between the Company and the related parties.

15. Financial instruments and financial risk management

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

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

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

The fair value of cash and cash equivalents is measured at level 1.

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

a) Market risk

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

Commodity price risk

Commodity price risk is the risk that the fair value of assets or liabilities or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted

by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar. The Company may, in certain circumstances, enter into forward oil or natural gas sales contracts to mitigate commodity price risk.

There were no risk management contracts outstanding at September 30, 2017 and December 31, 2016.

Interest rate risk

The Company is exposed to interest rate risk as changes in interest rates may affect future cash flows. The Company's cash balance and primary debt facility has a floating interest rate that will fluctuate based on prevailing market conditions. Cash flows are sensitive to changes in interest rates on this instrument. As at September 30, 2017, the Company did not hold any floating interest rate debt and therefore was not exposed to interest rate risk on its long-term debt.

Foreign exchange risk

Prices for oil are determined in global markets and generally denominated in United States dollars. Natural gas and oil prices obtained by the Company are influenced by both US and Canadian demand and the corresponding North American supply, and recently, by imports of liquefied natural gas. The exchange rate effect cannot be quantified but generally an increase in the value of the $CDN as compared to the $US will reduce the prices received by the Company for its petroleum and natural gas sales. As at September 30, 2017 and December 31, 2016, the Company had no contracts in place to mitigate foreign exchange risk. As at September 30, 2017, the Company held $0.1 million (December 31, 2016 - $0.6 million) in United States dollars.

b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditure. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

c) Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Company's trade and other receivables are with customers in the oil and gas industry and are subject to normal credit risks. For the period ended September 30, 2017, 100% (December 31, 2016 – 100%) of the Company's oil and natural gas production is being sold through marketing companies and revenues are collected on the 25th day of the month following the month of production. In order to mitigate collection risk, the Company assesses the credit worthiness of customers

and counter parties by assessing the financial strength of the customers and by routinely monitoring credit risk exposures.

The Company's most significant customer, a Canadian oil and natural gas marketer, accounts for 70% of the trade receivables at September 30, 2017 (December 31, 2016 – 72%) and 79% of revenues (December 31, 2016 – 88%).

The total accounts receivable 90 days past due amounted to $0.2 million at September 30, 2017 (December 31, 2016 - $0.1 million). The allowance for doubtful accounts at September 30, 2017 was $0.1 million (December 31, 2016 - $nil).

16. Capital management

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

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

17. Commitments and contingencies

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

Year	Office	Gas transportation
2017	$ 106	$ 243
2018	391	454
2019	371	433
2020	1	414
2021	-	367
2022 and thereafter	-	432
	$ 869	$ 2,343

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