

2 September 2020

Dear Fellow Shareholder

Thank you all for your contributions in both time and funds in what is an exciting project and opportunity within Botswana. The Following is an update on the progress, current issues, and proposed actions for BotsGas Pty Ltd (“BotsGas”) in our CBM Project in Botswana:

1. Cash position.

We raised \$AUD 725,000 at 5 cents per share from 29 shareholders, which increased our total cash to about \$AUD 800,000. This excludes ~\$AUD 100,000 of promised funds that should be received shortly.

As per our Joint Venture terms, we transferred \$AUD 300,000 to Strata-X Energy Ltd (“SXA”) as a placement (6 cents per share with one 7 cent share option for every two shares acquired) and a further \$AUD 300,000 for drilling a due diligence well. After various legal and general expenses, we currently have about \$AUD 170,000 in cash.

Whilst we are managing BotsGas on minimal expenditure, at any given time the Board would like to retain \$AUD 50,000 to \$AUD 100,000 for general running expenses and unforeseen expenditures. This leaves \$AUD 70,000 for further drilling in addition to the due diligence well.

2. Project update

Ongoing data review further confirmed existence within SXA’s tenements of a large regional Coal Bed Methane (CBM) fairway within the Serowe coal formation. SXA ASX presentation suggests that this fairway could contain a prospective gas resource of 2.38 trillion cubic feet (tcf) of gas. Being at a depth of 350 to 450 metres, the Serowe formation can be drilled relatively cheaply with a conventional water drilling rig; expert attention to casing, cementing, logging and water-flow testing is critical. It is likely to be brought into production without the need of costly horizontal drilling.

The original proposal was to drill a due-diligence well for \$AUD 370,000 in May 2020 near to SXA’s CBM well 19-B1. The planned drilling was delayed by Covid-19 restrictions and is now scheduled for November 2020 subject to no further pandemic restrictions.

Over the past few months our team has focused on improving our regional understanding of the occurrence of CBM, increasing our understanding, and developing the draft drilling, testing, and development programme shown in the Attachment 1 schedule. This demonstrates that we anticipate obtaining a modest cashflow in about ~1.5 years from the start of drilling.

We consider that our best return on funds is obtained by drilling one fully water-flow tested CBM well (19-B2, ~5kms from well 19-B1), plus two “appraisal” CBM wells in adjoining SXA/BotsGas owned

licences (~10kms from the water-flow tested CBM well 19-B2), that will be fully cased, logged and sealed. Subject to suitable results, all three wells will become production wells.

SXA's CBM well 19-B1 was certified to have delineated a surrounding 2C contingent resource of 23.8 billion cubic feet (bcf) of gas, almost exclusively methane with few impurities. Subject to each of the three proposed CBM wells providing results similar to CBM well 19-B1, we are seeking confirmation that each well would be certified to also have delineated approximately the same surrounding 2C contingent resource. In this case, the proposed drilling programme could add significant value by increasing the 2C contingent resource to beyond a target of ~100 bcf.

Conservative cost estimates suggest that the proposed fully tested well will cost \$AUD 370,000 and each of the two other wells will cost \$AUD 290,000, bringing the total to \$AUD 970,000. We have been advised that in subsequent drilling campaigns it should be possible to reduce the costs by about 25%. For BotsGas to commit to this programme of one fully tested and two appraisal wells we require a further ~\$AUD 670,000. The proposal is to commence drilling in November 2020.

3. Joint Venture Project Team.

SXA will be the operator during the farmin period, with all geological analyses, well-design and drilling supervision being the responsibility of Tim Hoops (Denver, US, based) of SXA. Tim will receive technical support from Ron Prefontaine (Executive Chairman of SXA) and Botswana-country support from SXA's Country Manager, Modisana Botsile. David Hettich (Denver based) of SXA will attend to general administration.

At the request of Ron Prefontaine, Kris Martinick, CEO of BotsGas, is also the Joint Venture's CEO. In this capacity Kris is coordinating the current geology and engineering studies, the proposed drilling programme and longer-term planning. It is probably somewhat unusual for the non-operator to supply the JV CEO, but it reflects Kris' experience and the good working relationship established with SXA.

In addition, BotsGas continues to rely strongly on geological assistance from Peter Grant, the MD of IK Holdings with its focus on Botswana.

Our shareholders have a wide range of expertise in exploration, engineering, project management, funding, social, environmental and safety issues; with a number having Botswana-specific project experience. We are and will continue to draw on this valuable expertise that is available to us.

4. Drilling and its supervision

The proposal is for the forthcoming drilling to be supervised by Tim Hoops who is willing to travel to Botswana for this purpose despite Covid-19 restrictions. Our view is that we are fortunate that Tim is willing to provide onsite supervision and that the associated extra Covid-19 related costs will be well spent as his presence considerably de-risks drilling and testing.

5. Covid-19 issues

Exploration and mining are considered essential activities in Botswana and are thus permitted to be undertaken subject to an approved Covid-19 management programme.

Botswana has relatively few Covid-19 infections unlike neighbouring South Africa. Hence there are strict border controls that we will have to address, and these could cause delays as some items required for the drilling and testing will be sourced from South Africa. Planning is already underway to address such issues and SXA is working closely with the selected drilling contractor, a Botswana-based company, to remain on schedule.

6. Further Fundraising

As mentioned in item 2 above, instead of drilling a single due diligence well, we would much prefer to drill one fully tested and two appraisal wells which require a further ~\$AUD 670,000. This reduces to \$AUD 600,000 by taking \$AUD 70,000 from our current cash in the bank as stated in item 1 above. *As a result, we have decided to continue to raise money at 5 cents per share and are herewith inviting all shareholders to consider increasing their holdings.*

I am willing to participate in this placement to the value of a further \$AUD 250,000 and the drilling contractor is considering taking ~\$AUD 100,000 of his drilling cost payment in shares. This will reduce the required amount to ~\$AUD 250,000, which excludes the outstanding promised placements of \$AUD 100,000 mentioned in item 1 above.

We have identified several potential investors and are reasonably confident of securing the necessary funding. However, I would appreciate if you would consider my request to increase your contribution. I have attached a share application form. If we receive “surplus money” we will consider drilling three and not two appraisal wells.

There is considerable interest in CBM and energy in general in Botswana, but the Covid-19 restrictions have prevented us from presenting to potential Botswana-based investors. They will be contacted once travel restrictions have been lifted.

We propose to raise money from local Botswanan landowners and nearby stakeholders who, during SXA’s previous drilling, enquired how they could invest in the CBM opportunity. Many will be small investors to whom we will propose the establishment of a local cooperative structure that could acquire shares in BotsGas. They are potentially valuable investors who will give us grassroots support subject to being kept fully informed and considered in all our decision making.

7. Blue Energy

We see a great opportunity to produce Compressed Natural Gas (CNG) to generate reliable base load electricity to underpin solar electricity generation. Hence, we are investigating solar energy opportunities for which capital is often readily available in emerging countries like Botswana. We also view CNG as a fuel for the local transport industry.

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Likewise, we are in discussions with potential Hydrogen producers to investigate converting CBM and excess electricity to Hydrogen as a fuel for Botswana's mining and transport industry.

With this focus on producing CBM to facilitate the transformation to renewable energy, we aim to promote BotsGas as a 'Blue Energy' company.

Please contact me or Kris Martinick (0421 322 737, kris.martinick@botsgas.com) if you have questions, suggestions or wish to obtain a further update.

Regards

A handwritten signature in black ink, appearing to read "Wolf Martinick", with a horizontal line underneath.

Dr Wolf Martinick
Executive Chairman, BotsGas Pty Ltd

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Attachment 1 – BotsGas Development plan

