

ASX ANNOUNCEMENT

1 June 2017

NEW FOCUSED STRATEGY TO DELIVER MATERIAL PRODUCTION FROM COOPER BASIN GAS ASSETS

Key Highlights

- New strategy designed to focus Strike on upstream value chain
- Recent geological validation confirms Southern Cooper Basin Project as a prolific and producible gas asset
- Credible technical and commercial pathway designed to realise strategic milestones and deliver material gas production

Strike Energy Limited (ASX: STX) (“Strike” or the “Company”) is pleased to advise its new strategy to deliver material gas production from its extensive deep coal seam assets in the Cooper Basin. The new strategic focus follows a comprehensive technical review of the Company’s portfolio and operational approach by the new management team led by Chief Executive Officer, Stuart Nicholls.

New Strategy

The six key pillars of the new strategy, outlined in the presentation material attached, are focused on;

- **A Subsurface Focus** – “Rock first” design to decision making
- **Repeatable Modular Design** – Affordable and replicable well engineering
- **Resource Capture** – Applying understanding on unique depositional environment to Strike’s enormous and contiguous acreage portfolio
- **Rapid Technology Deployment** – Accelerated application of industry leading unconventional extraction methods
- **Strategic Partnerships** – Creation of additional capabilities and reduction of project complexity through building of partnerships
- **Operational Excellence** – Focussing on Strike’s core upstream competencies to drive immense value generation

CONFERENCE CALL

Strike’s Chief Executive Officer, Stuart Nicholls, will present the new strategy and answer questions via a conference call to be held at 11.00am WST / 1.00pm EST today, 1st June 2017.

To join the call, please use the following details:

Participant Number: 1800 123 296 (toll-free) or +61 2 8038 5221

Conference ID: 3240 6951

This new strategy has been designed to release major value through refocussing Strike on its core upstream competencies. It is in response to the key findings of the recent technical validation, which while confirming the outstanding producibility of Strike's portfolio, highlighted that a new approach was required to extract the most value from the asset. The key findings of the technical review include:

- Validation of the subsurface regarding the producibility of the resource base
- Identification of remaining reservoir parameters that require further de-risking
- Analysis and recommendation of alternate well design to maximise production capability and ultimate recovery of the resource

The new strategy will enable Strike to position itself to become a major producer of gas into the East Coast energy market in a period where the demand and price for gas is expected to be highly favourable. Strike is committed to becoming a major gas producer for the Australian market working with its external stakeholders, including South Australian customers, to ensure reliable and affordable gas reaches domestic end users.

Strike Energy's Chief Executive Officer, Stuart Nicholls, commented: *"Strike's licenses in the Cooper Basin represent both a prolific and producible gas resource, with the added benefit of being in close proximity to supporting infrastructure which will enable the affordable delivery of gas into the East Coast energy system, at highly cost competitive prices."*

The work conducted to date has delivered excellent data and understanding of the Cooper Basin deep coals, and it is our intention to execute this new strategy which we believe will maximise the productive capacity of the asset and provide strong returns for shareholders."

Work has already commenced in rolling out the new strategy, and Strike expects the following milestones to be achieved within the next 18 months:

- **Technical Success:** achieved in the short to immediate term through the closing out of remaining subsurface risks and final validation of reservoir model through continued work on the Klebb Pilot. This will be the 'play prover' and will further expand and upgrade the existing resources.
- **Commercial Success:** having achieved technical success, Strike will progress the project to commercial success by demonstrating the capability of Strikes prolific and producible resource base. This will be achieved by a 2 well program, to be called Project Jaws (detailed below), which will deliver best in class ultimate recovery and production rates resulting in the booking of major 2P reserves.

Klebb Pilot & Project Jaws

The new strategy will see a realignment of the objectives of the Klebb Pilot project from a production to an exploration project. This is a critical first step to ensuring Strike can release valuable data around uncertain subsurface value drivers at Klebb, and thereby improve the investability of any forward plans for the Project.

Work conducted to date at Klebb has proven the producibility of the resource which we expect will lead to a declaration of Technical Success once the range of the gas content is narrowed.

Subsequent to this, Strike will plan, procure and execute Project Jaws, a 2 well program that will showcase both the modelled production rates as well as demonstrate the Estimated Ultimate Recovery (EUR) potential with a replicable well concept. It is expected that Strike will be in a position to declare its Southern Cooper Basin coals a commercial success following completion of Project Jaws.

New organisational structure with focussed capabilities

The execution of the new strategy will be supported by a new and focused organisational structure.

Central to this, is the relocation of Strike's head office from Sydney to Adelaide, in order to enhance relationships with Government, Partners and South Australian Customers, as well delivering cost savings, improvements in decision making and the establishment of a Strike local culture.

In addition, Strike has begun a reorganisation including replacing the role of Chief Operating Officer with a General Manager Technical and a General Manager Operations in order to better integrate both Technical and Operations disciplines in the project decision making. Mr Pax Barkla will continue in the role of General Manager Operations and Mr Temujin Einthal, who joins Strike effective today, will assume the role of General Manager Technical.

Funding

Strike currently has sufficient funds to achieve technical success. Strike is currently evaluating a number of capital management alternatives that will provide the funding required to execute Project Jaws to deliver commercial success with minimum dilution to current shareholders.

To support the funding, the Company will submit a proposal to the South Australian Department of State Development for participation in their second round of their 'Plan for Accelerating Exploration' (PACE) which is due later in 2017.

Pleasingly, since the onboarding of new management in April 2017, approximately \$1 million of operating cost savings have been identified. These savings are a mixture of one offs and continued expenditures and are expected to be realised throughout 2017 onwards.

Orica Gas Supply Agreement Update

As announced by Strike on 11 November 2016, and as most recently updated on 30 March 2017, Strike has been in discussions with Orica International Pte Ltd (**Orica**) concerning a potential variation to the Orica Gas Supply Agreement so as to better align it with the development strategy currently proposed for Strike's Southern Cooper Basin Project and the parties' respective commercial objectives given the time that has elapsed since the GSA was

entered into. To facilitate those discussions, the parties entered into an agreement under which they agreed to continue the discussions until 31 May 2017 (subject to any agreed extension) or until a mutually acceptable outcome was agreed, if earlier. Orica and Strike also agreed to suspend certain rights under the GSA during that period which, if exercised, may lead to termination of the Orica GSA.

In order to expedite an agreed outcome, Strike has determined not to extend the suspension period beyond 31 May 2017 and instead trigger a mandated discussion period under the GSA, which could lead to termination of the GSA if those discussions do not produce a mutually acceptable outcome for the continuation of the GSA. The mandated discussion period is due to expire at the end of June 2017.

In response to the triggering of the mandated discussion period, Orica has made a claim for repayment of the \$7.5 million prepayment for gas made by it in 2015. It is Strike's view that Orica has no right to claim the repayment and intends to vigorously defend the claim.

The Orica Gas Supply Agreement provides Orica with the option to take up to a total prospective gas supply of 250 PJ, subject to certain conditions being satisfied. Details of that GSA were announced to the ASX on 25 March 2014.

Conclusion

Strike is now armed with a deeper understanding of its resource base and the steps required to remedy the remaining questions surrounding its gas content. Having resolved the final subsurface uncertainty Strike will be poised to execute its development plan, which is grounded in technical credibility, is robust in all price scenarios, is competitive and investible in the long term.

Strike looks forward to the continued support of its partners, customers and shareholders as we embark on this new strategic journey together.

ENDS

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Strike Energy Limited

Company & Project Update

1st of June 2017



A Prolific & Producing East Coast Gas Resource

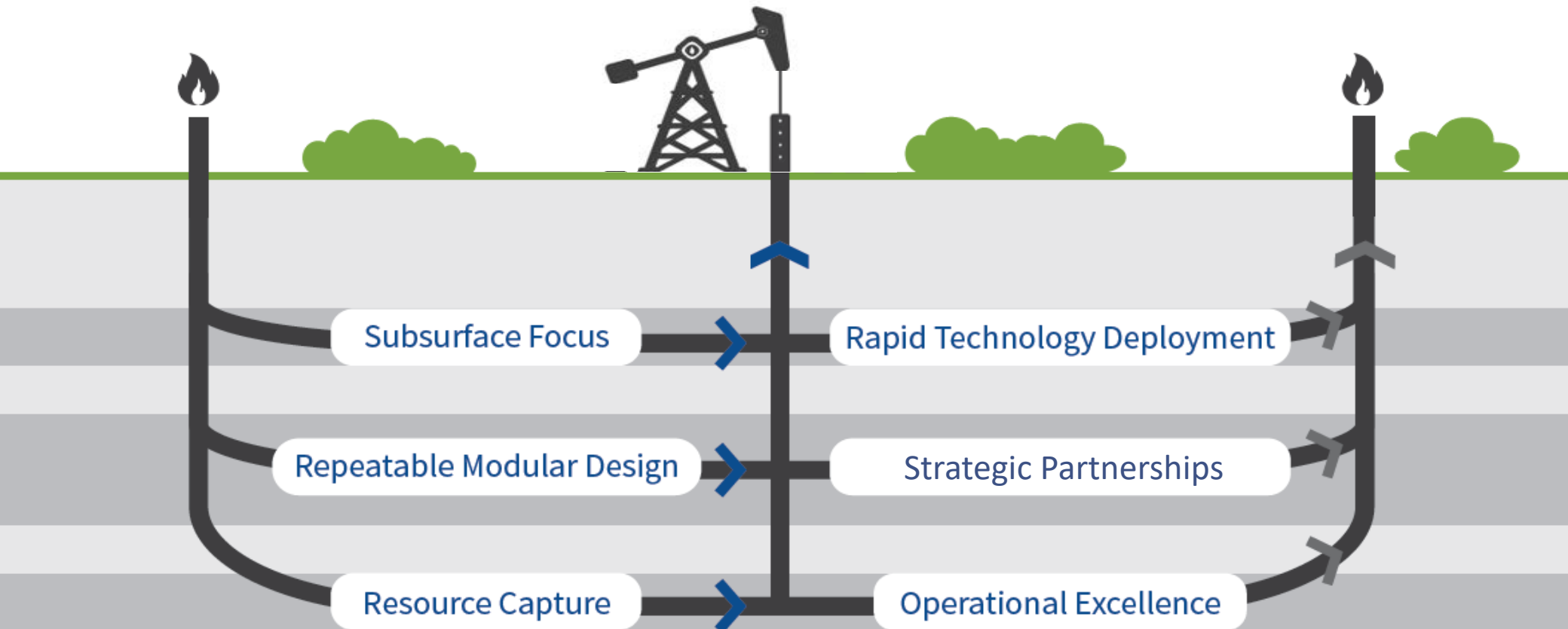


1. Geological validation from CSG expert confirms materiality and quality of Strike's Cooper Basin gas assets
2. New strategy designed to drive excellence within upstream value chain
3. Value levers understood revealing core competencies required for successful delivery
4. Strike represents a top quartile opportunity to enter into the East Coast gas thematic
5. Major appraisal and investment activities likely to drive considerable value growth over the short and medium term

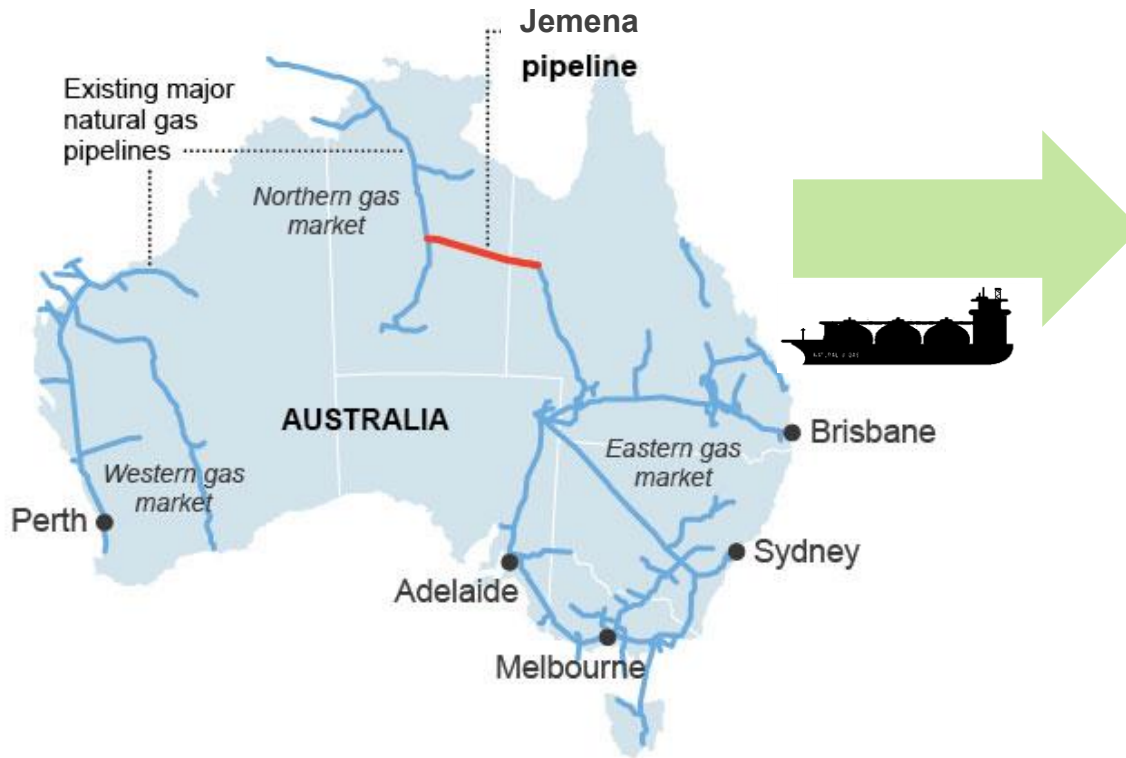


Vision & Strategy

“Strike Energy will focus on delivering material gas production from its extensive deep coal seam assets, in order to drive major value creation by 2020.”



East Coast Gas Market – Certainty of Demand



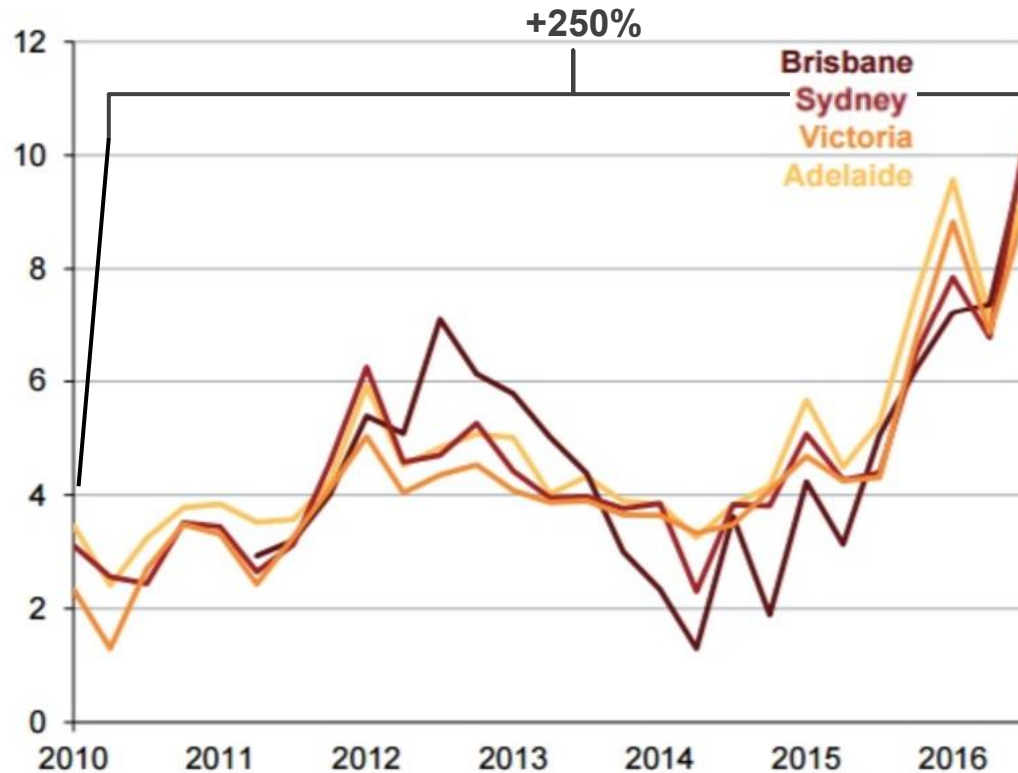
- Total market demand is ~2100 PJ p.a of which 70% driven by the LNG producers.
- Domestic market currently 465 PJ p.a. short. This is expected to rise to 600 PJ p.a. by 2021
- Federal Government domestic market security mechanisms wont alter demand picture.
- Supply side continues to be short of options. Only a handful of gas projects having been sanctioned since gas crisis.
- New South Australian gas consumers entering market despite lack of new volumes.
- Some demand destruction will occur with push for alternative fuels to reduce gas reliance.

No one solution will fix the shortage

- NT Gas: Jemena Pipeline = 33 PJ pa
- WA Gas: Pipeline unlikely to land for less \$15 GJ

East Coast Domestic Gas Prices

Quarterly Gas Price \$ per Gigajoule



Notes: Victorian gas market average daily weighted prices by quarter are shown with the average daily ex ante gas prices by quarter for each Short Term Trading Market hub (Brisbane, Sydney and Adelaide).

Source: AER (2017e) and AER (2017f).

- Gas Prices have moved from less than \$4/GJ to above \$10/GJ between 2010 and today.
- Commissioning of LNG export plants + onshore moratoria have exacerbated recent pricing.
- New domestic supplies coming from Sole, Bass Strait, NT (Jemena) etc unlikely to rebalance market out of long term >\$5 GJ scenarios.
- Demand will increase with population growth in Sydney & Melbourne (~2% in 2015-16) Likely to offset improvements in energy efficiency and uptake of domestic renewables.

technical validation

STRIKE ENERGY SITE OFFICE

18.8KM

**Strike
Energy** 

KLEBB 1,2&3

18.8KM

**Strike
Energy** 

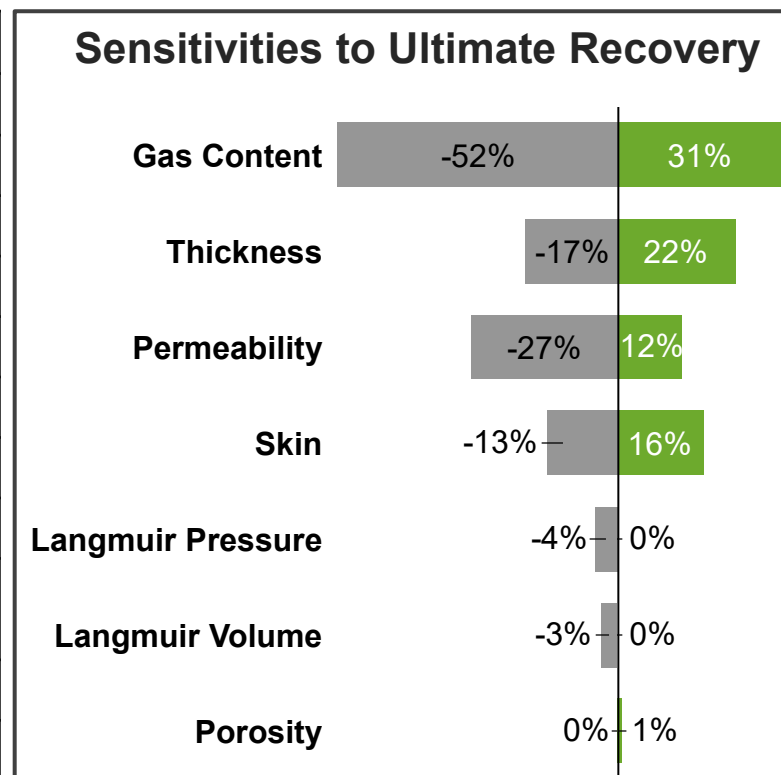
BOUVIER 1

26.4KM

**Strike
Energy** 

Validation of Reservoir Parameters – High Quality

Reservoir Properties			
	High	Low	Comment
Gas Content (m3/ton)	6.5	5	Validated
Matrix Permeability (md)	2.5	1	Validated
Fracture Permeability (md)	7	5	Validated
Porosity (%)	1.8	2.2	Validated
Reservoir Pressure (psi)	3000	2865	Validated
Compressibility (1/psi)	7.00E-04	5.00E-04	Validated
Desorption Pressure psi	750	650	Validated
Co2 Percentage (%)	48	27	Validated (Low Value)
Langmuir Pressure (Mpa)	12.82	9.93	Validated
Langmuir Volume (m3/ton)	17.96	11.86	Validated



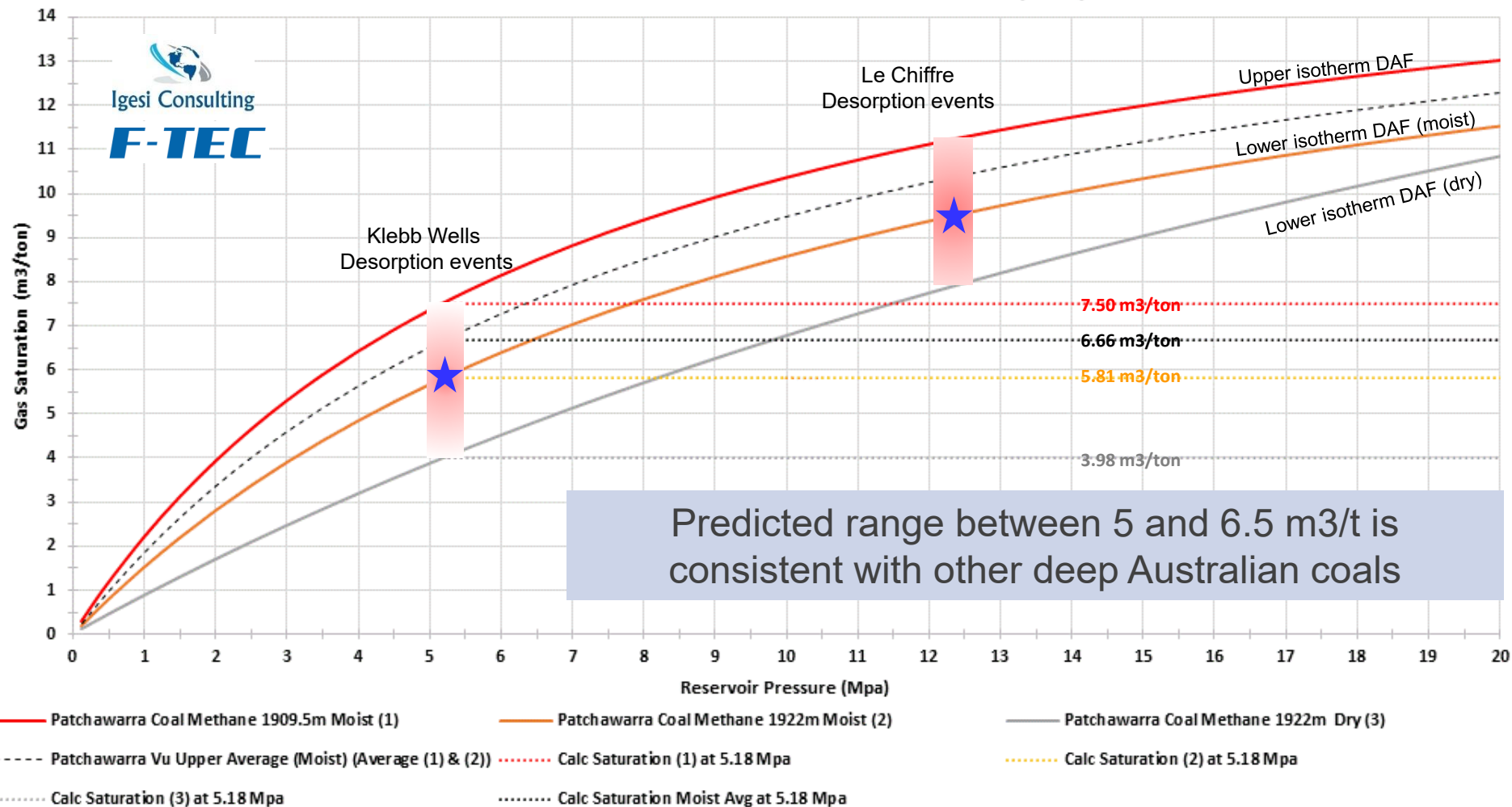
■ Data sufficient, validated
 ■ Uncertainty remains. Additional data gathering recommended

- History matches from Klebb production data are robust: the model input captures the ranges and uncertainty in the available data.
- Gas content is the major parameter that requires further data on to ensure that the range of uncertainty is brought down to an acceptable level

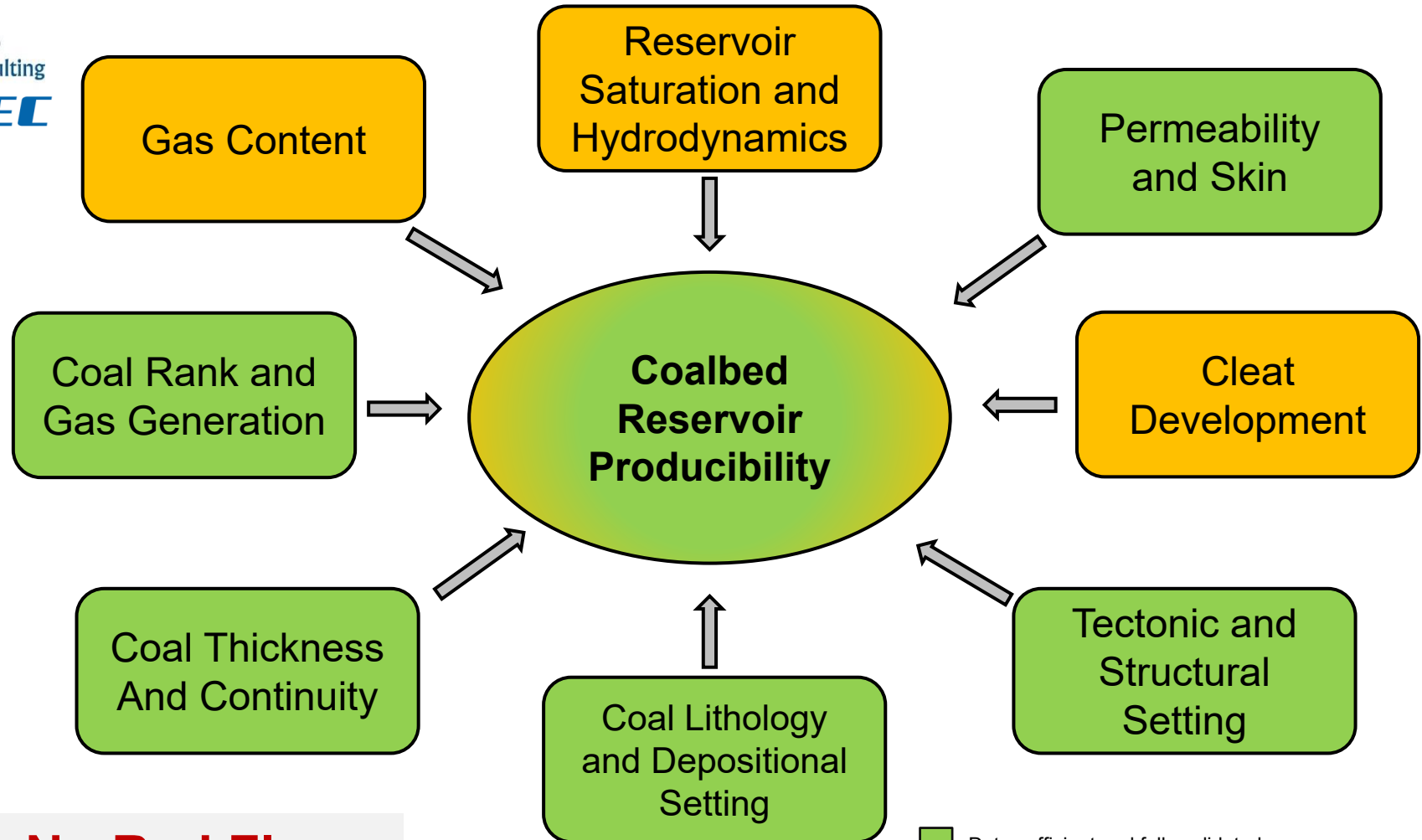
Gas Content Analysis Confirms Range



Le-Chiffre 1: Patchawarra Vu Upper Coal Only.
Methane Isotherms from Core & Calc Saturation at 5.18 MPa desorption pressure



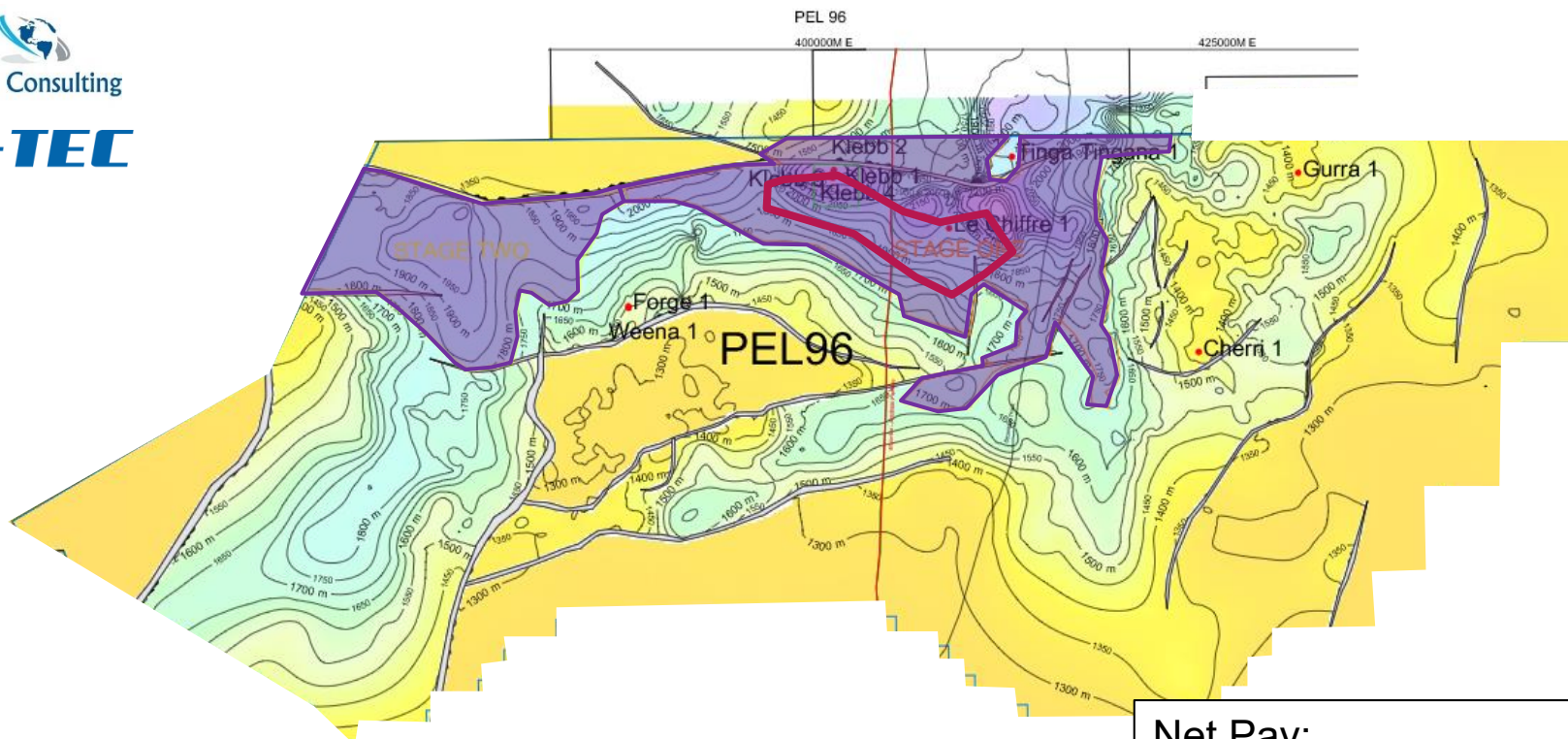
CSG Producibility Confirmed



No Red Flags

- Data sufficient and fully validated
- Uncertainty remains. Additional data gathering recommended

Interpretation of Materiality of PEL 96 Resource



Klebb Pilot to Le Chiffre 1 ~ 38 km²

Weena Trough ~ 373 km²

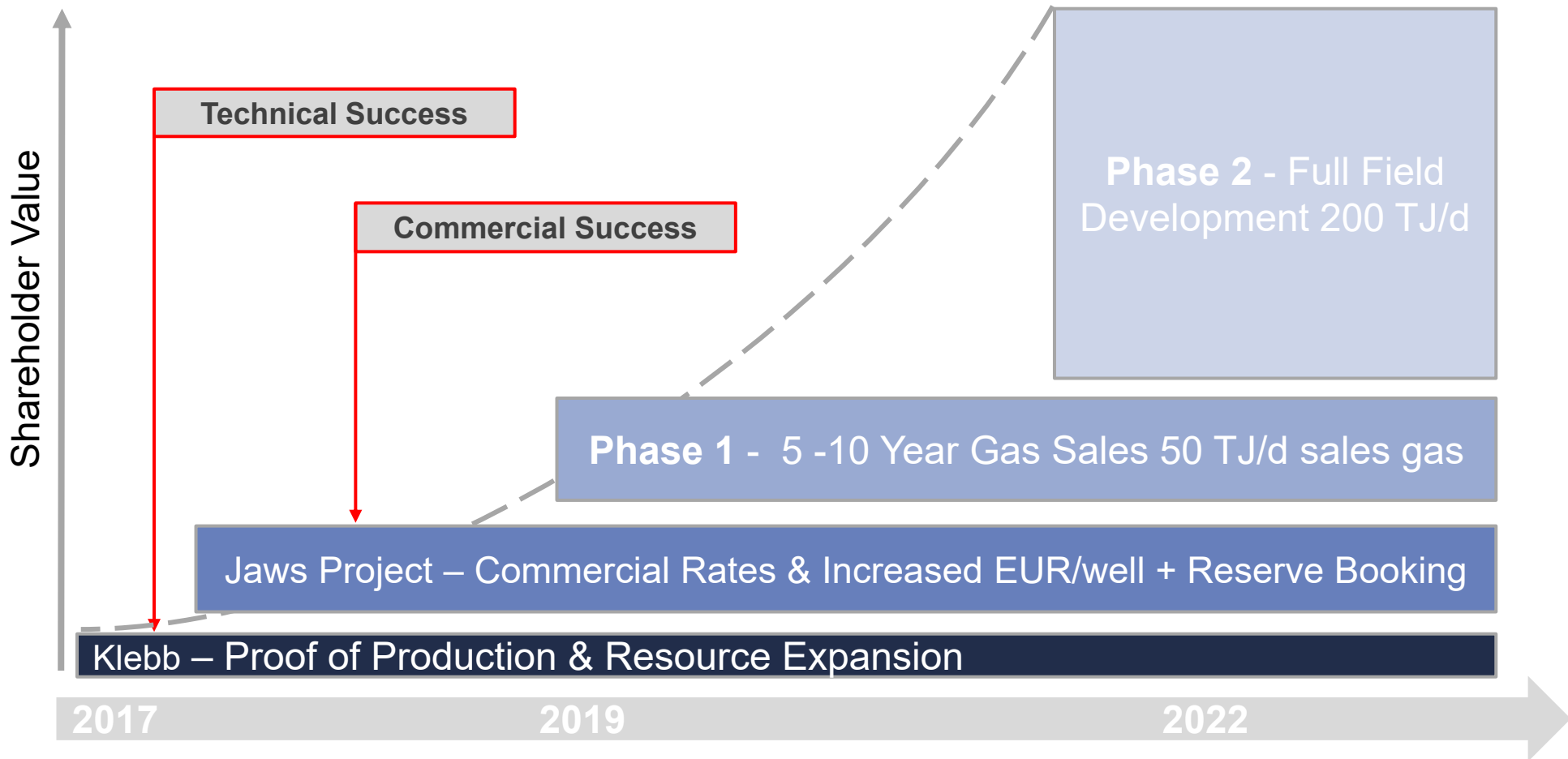
PEL 96 ~ 2,694 km²

Net Pay:
Patchawarra Coal ($\geq 1600\text{m}$)
1,500PJ = 1.4Tscf
Vm3 ~ 10 to 20m
Vu Upper ~ 30 to 40m
Vu Lower ~ 10 to 20m

strategy



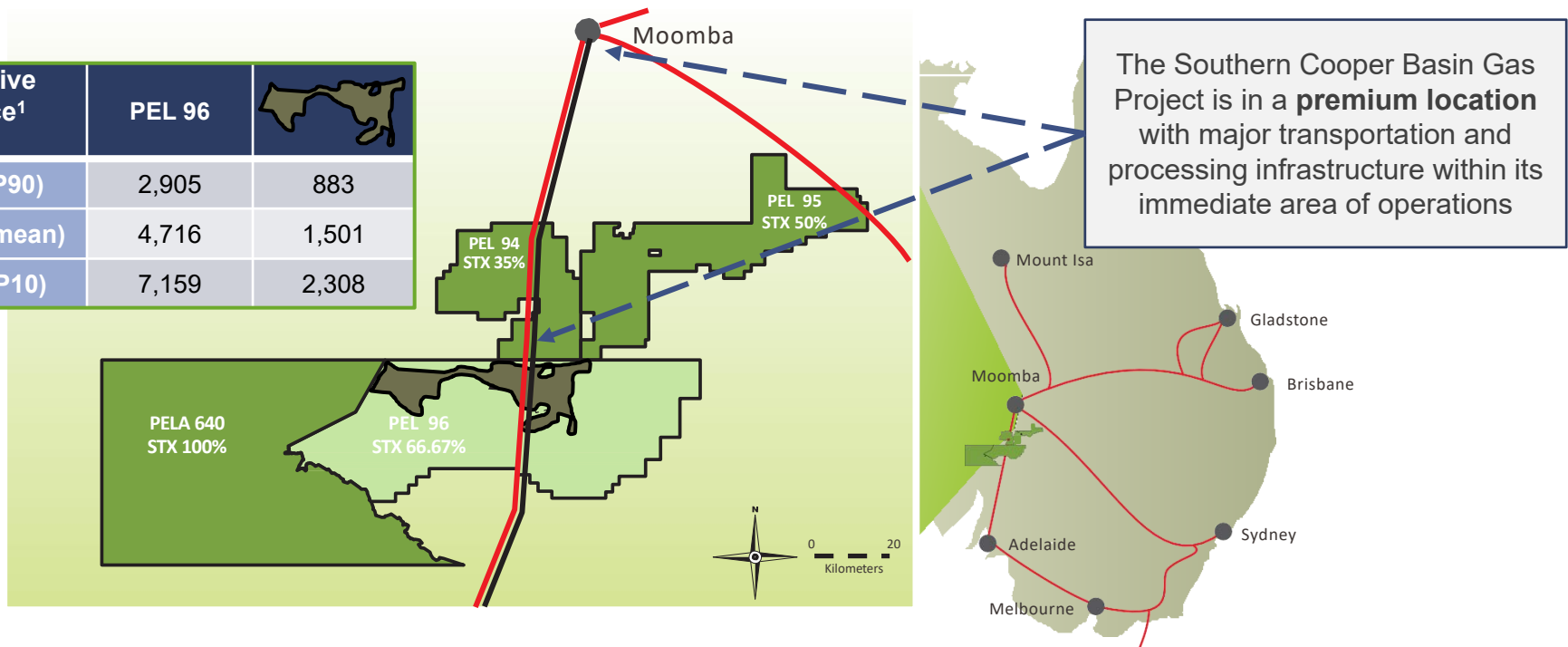
Strike's Value Stair Case



*Commercial Success Timing contingent on speed of Capital Procurement, Reservoir Performance and Operational Execution

Resource Capture

Prospective Resource ¹ (PJ)	PEL 96	
Low Est (P90)	2,905	883
Best Est (Pmean)	4,716	1,501
High Est (P10)	7,159	2,308



- Strike Energy will be vanguard of the industry in successfully producing deep coal seam gas.
- Strike has access to 1,500 PJ of best estimate prospective resource with a pilot campaign required to upgrade to contingent resource.
- Technical Validation team estimates the resource density to be 6 bcf km²

“The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

– 1 Recoverable sales gas, net to Strike as of 1 February 2014.

1600m contour (best estimate) prospective resources are estimates from IgeSSI Consulting as a part of the Technical Validation Review 2017 with 6.0m³/t

Key Value Levers

Out of Strike's Control

1. Gas Content of the Coal (between 5 & 6.5m³/t)

In Strike's Control

1. EUR: affects ultimate well count
2. Initial Well flow rates
3. Mid/Downstream Costs (tolling, transport, processing and tariffing)

} Well Design

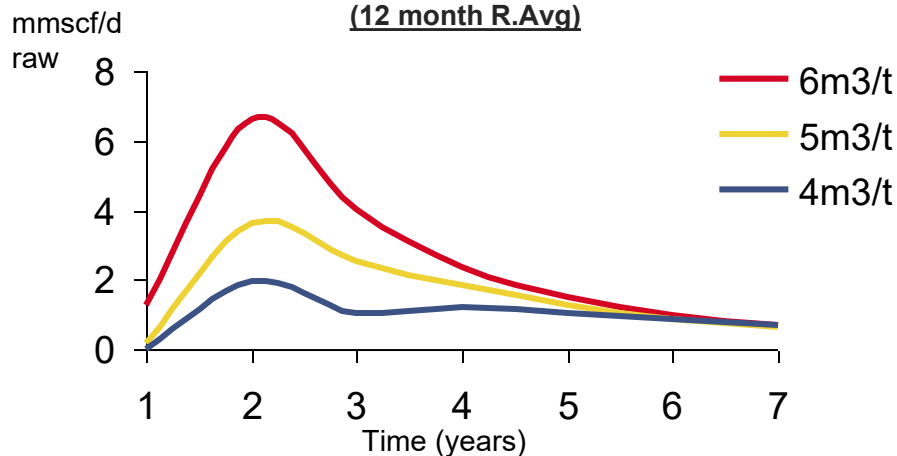
Resource Density

Capital Materiality

Production Intensity

Production Efficiency

**Horizontal Well Production Profiles
with Differing Gas Contents
(12 month R.Avg)**



Gas Content

The largest and most volatile sensitivity for Strike's profitability across its complete portfolio:

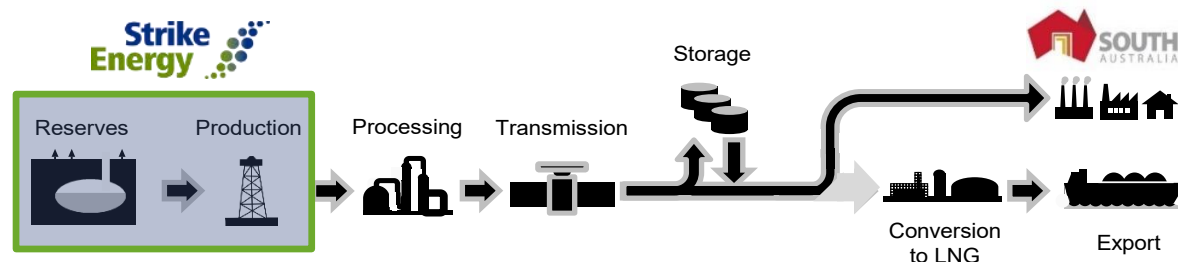
Over a full field development, Sales Gas volume is 2.5x greater under a 6.5m³/t scenario versus the 5m³/t version.

The risk around this subsurface metric must be mitigated down to uncertainty in the immediate term.

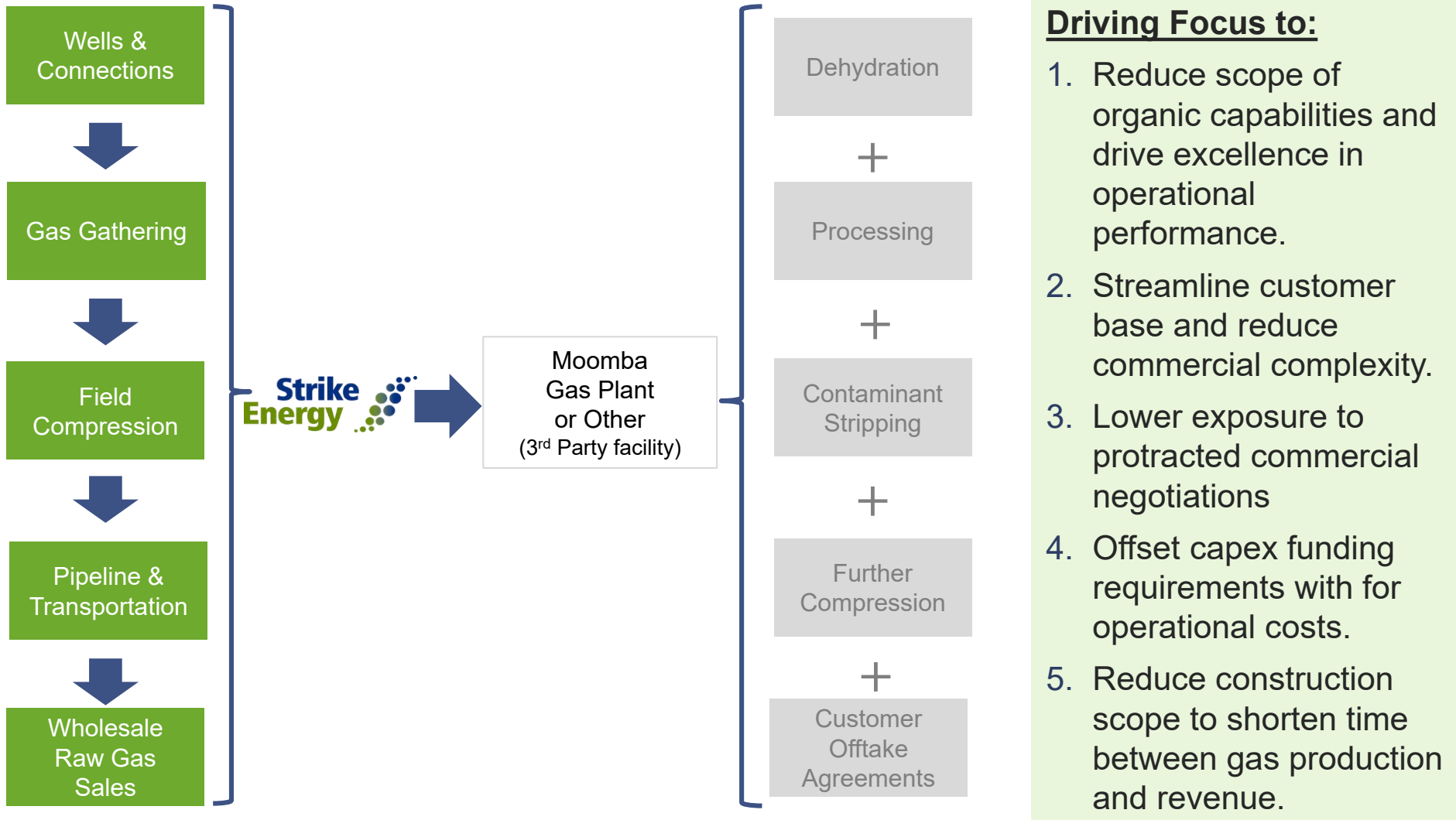
Subsurface + Operational Excellence + Resource Capture = Upstream Focus

Given the:

1. **Size of the Resource in Strike's Portfolio**
 2. **Strike's deep understanding of the unique subsurface environment; and**
 3. **The sensitivity of the project to Upstream Capex**
- Strike's value addition to the resource (outside identification) is in the extraction and production of the molecules and should drive excellence in its core Upstream competencies
 - Finding a partner who can support the JV with midstream or downstream capabilities and allow Strike to pursue the learning and efficiency gains in well execution will release a huge amount of value



Upstream Focus Building Excellence in Core Competencies

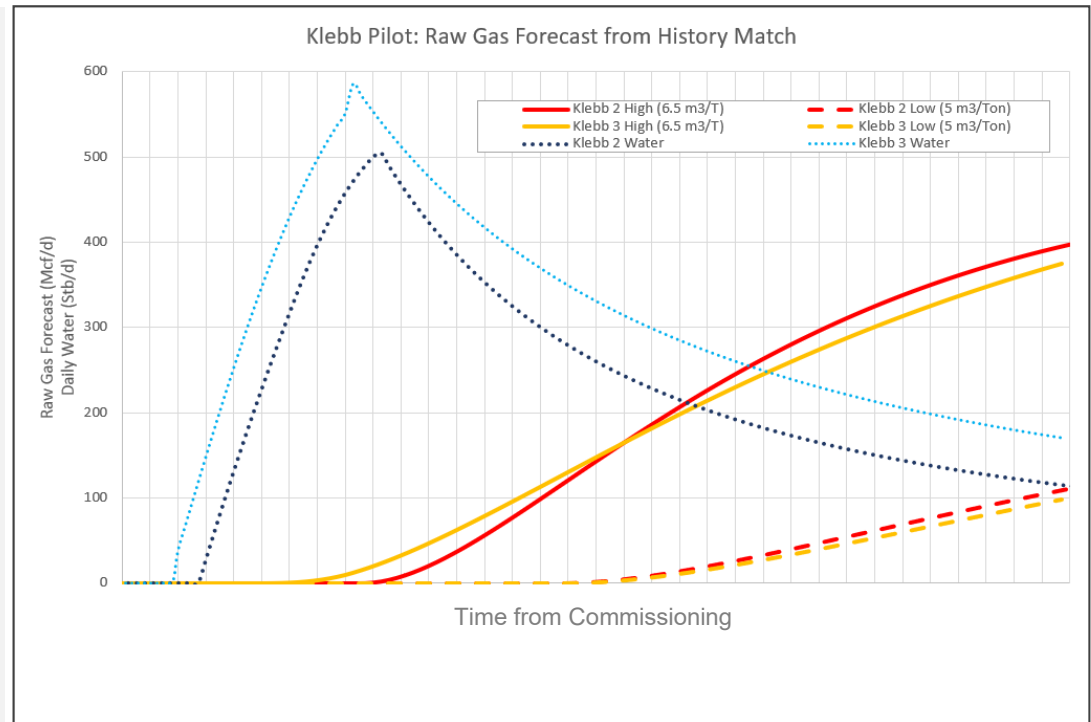


Commissioning Complete

- All workovers and Beam Pump installations complete. De-pressurisation of the reservoir has recommenced

Technical Success

- Realigning Klebb's objectives with that of an exploration project (not production) is key to releasing the valuable data around Strike's major subsurface value lever.
- Klebb has proven the producibility of the resource and will lead to a declaration of Technical Success once the range of the gas content is narrowed. (see chart)
- Running Klebb until this parameter is understood is critical for the investability of any forward plan.



Future Value

- Given the quantity of mobile water in the reservoir, the Klebb wells continuing to operate prior and during Jaws will provide a vital shield to reduce the time from online to commercial gas in Jaws 1.

Jaws Project – Rapid Technology Deployment

Design, procure and execute a small well program that will prove the commerciality of the PEL96 resource.

Jaws 1

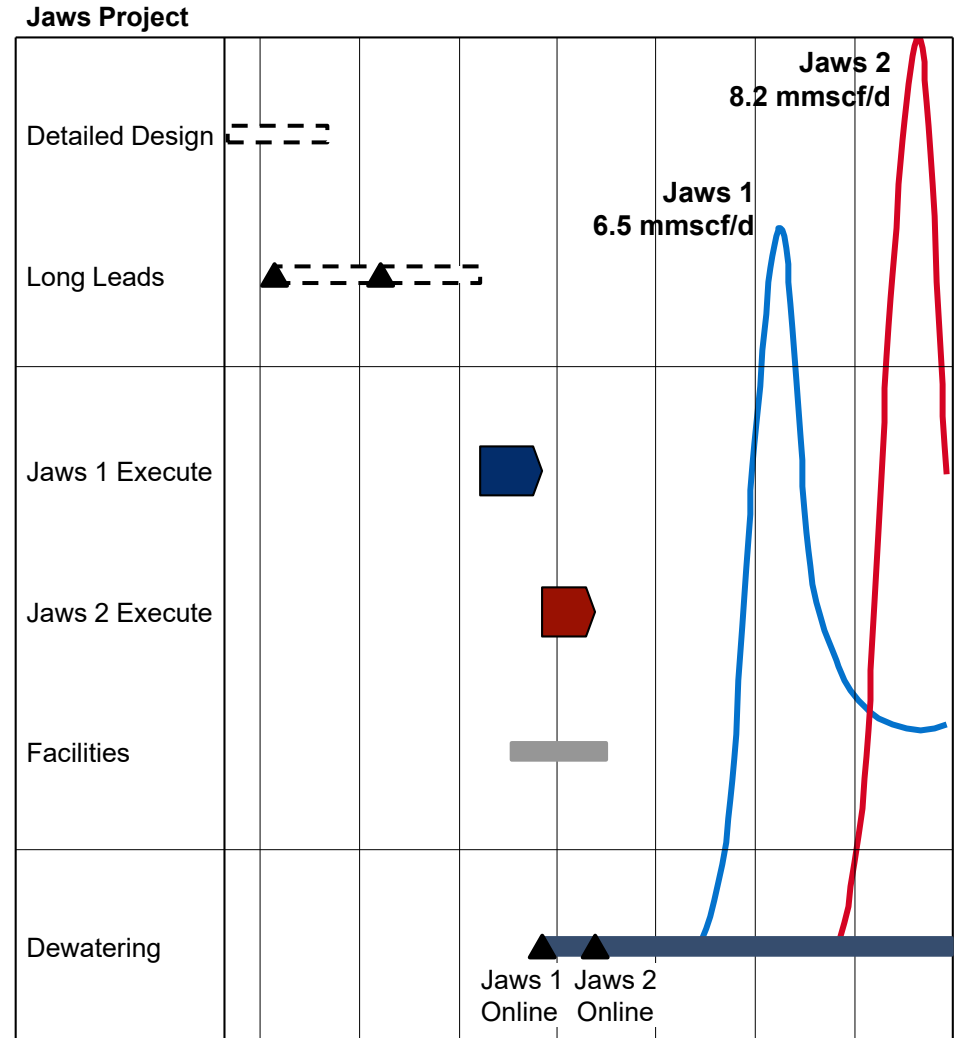
- Demonstrate a commercial gas rate ASAP
 - Leverage dewatering efforts of Klebb pilot
 - Lateral well 800 m horizontal, 7 Fracs & large ESP lift
 - Vertical intercept well to maximise dewatering with second ESP lift

Jaws 2

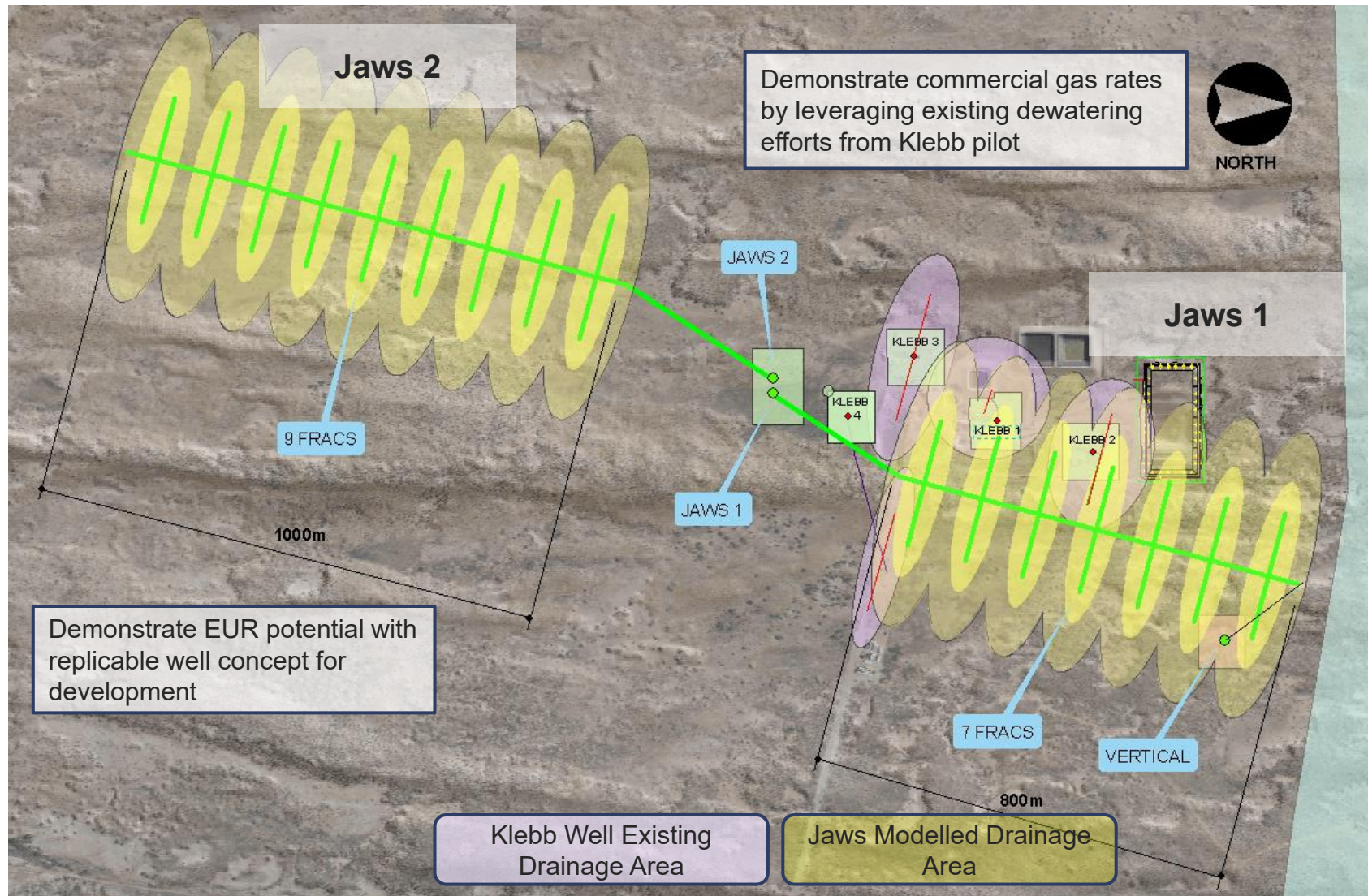
- Demonstrate EUR potential with replicable well concept for development
 - Extend beyond Klebb pilot into virgin reservoir
 - Lateral well with 1000 m horizontal, 9 Fracs & large ESP lift

Pressure Core

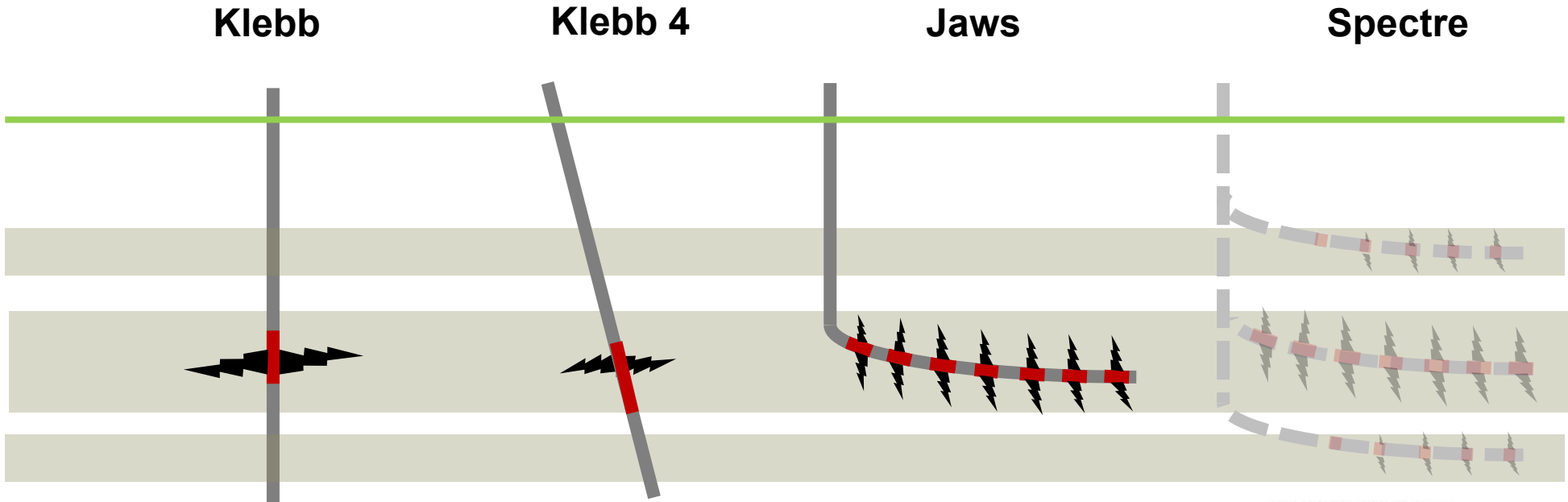
- Validate gas content - acquisition of pressurised core in vertical well



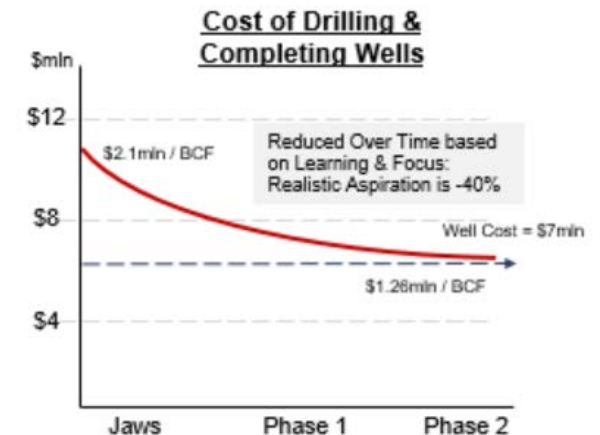
The Jaws Project – Well Locations



Operational Excellence - Strike Well Design Evolution

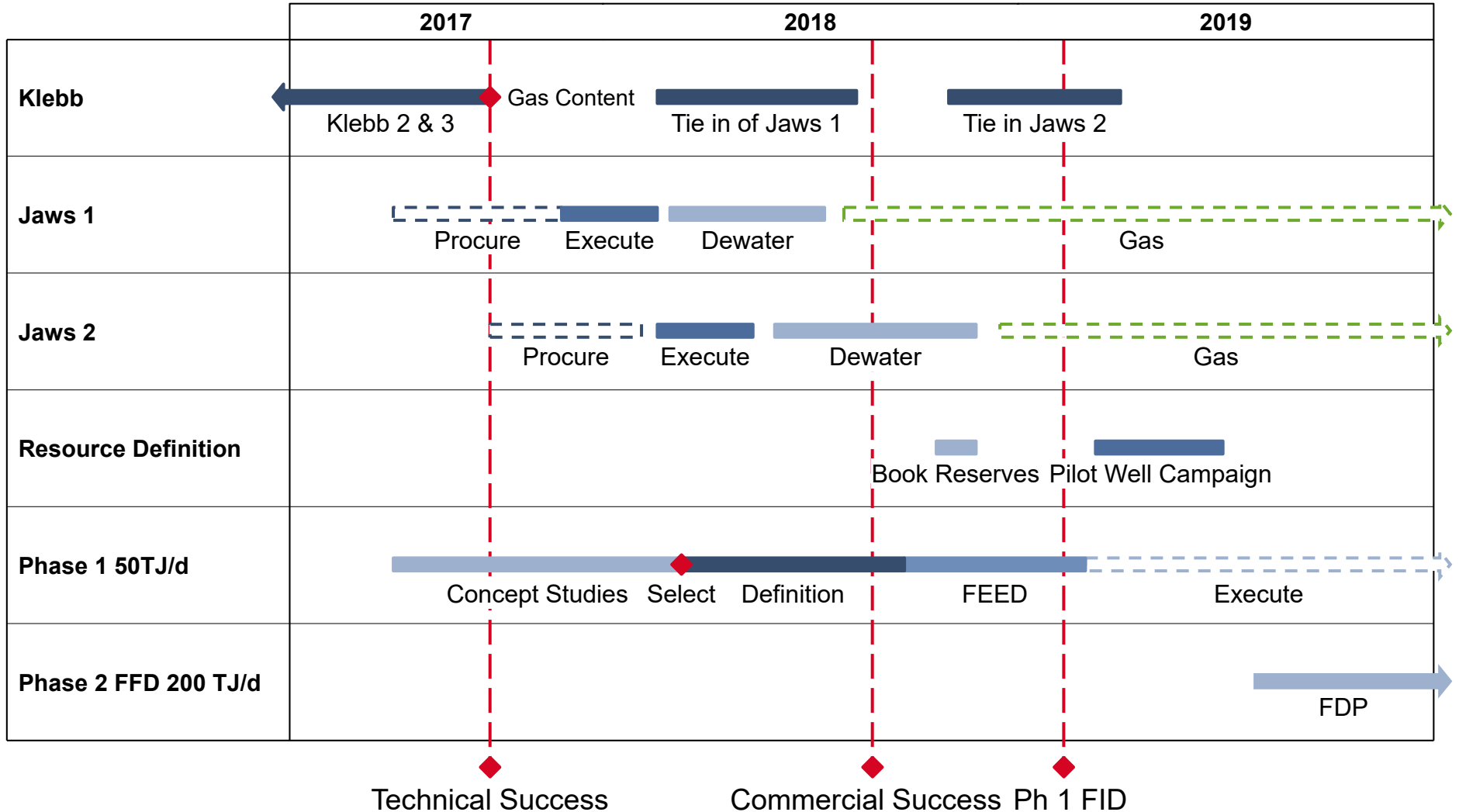


EUR (CH4)	1.4 BCF / 1.47 PJ	1.4 BCF / 1.47 PJ	5.68 BCF / 6.0 PJ
Max Rate (CH4)	0.53 TJ/d	0.53 TJ/d	5.6 TJ/d
Art Lift	Beam Pump	Mini ESP	Large ESP
Water rate	600 bbl/d	600 bbl/d	1600 bbl/d
Cost	\$4.8 mln	\$4.8 mln	\$11.7 mln
\$mIn/BCF (CH4)	\$2.67	\$2.67	\$2.06



*Jaws well types performance numbers are unrisked and assume a 6.0m³/t Gas Content number (CH4) and are based on a Klebb Contingent Resource estimate (1C of 42.1bcf, 2C of 62.2bcf, 3C of 93.3bcf), net to Strike and not adjusted for risk

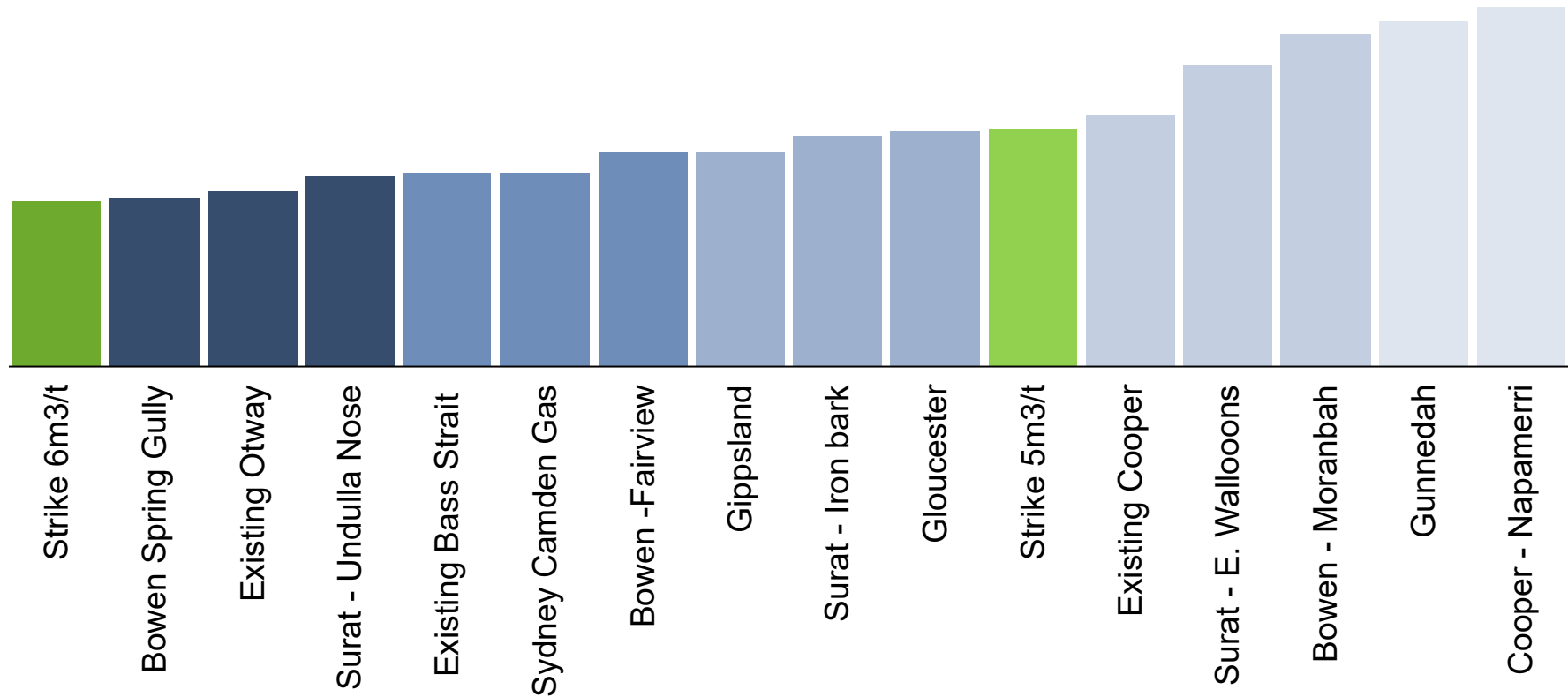
Strike Energy Limited – Forward Plan



*All timelines are indicative and subject to detailed planning, capital procurement and reservoir performance metrics

How do we fair?

Cost of Supply Analysis for East Coast Upstream Supply \$/GJ



- Strike volumes directionally cost competitive in both high and low geological outcomes
- Strike's superior location to existing infrastructure reduces costly upstream gathering networks and pipelines to transmission network

Consolidation of Strike HQ to Adelaide



Political / Regulatory

- South Australian energy assets managed in Adelaide by South Australians
- Better, continued and sustained interaction with Regulator/ Dept. of State Development

Organisational

- Reduce time and improve quality of decision making
- Build Strike Corporate Culture

Commercial

- Improve quality of relationships through closer proximity to JVP's, partners and Cooper basin contractors
- Located with major existing customers

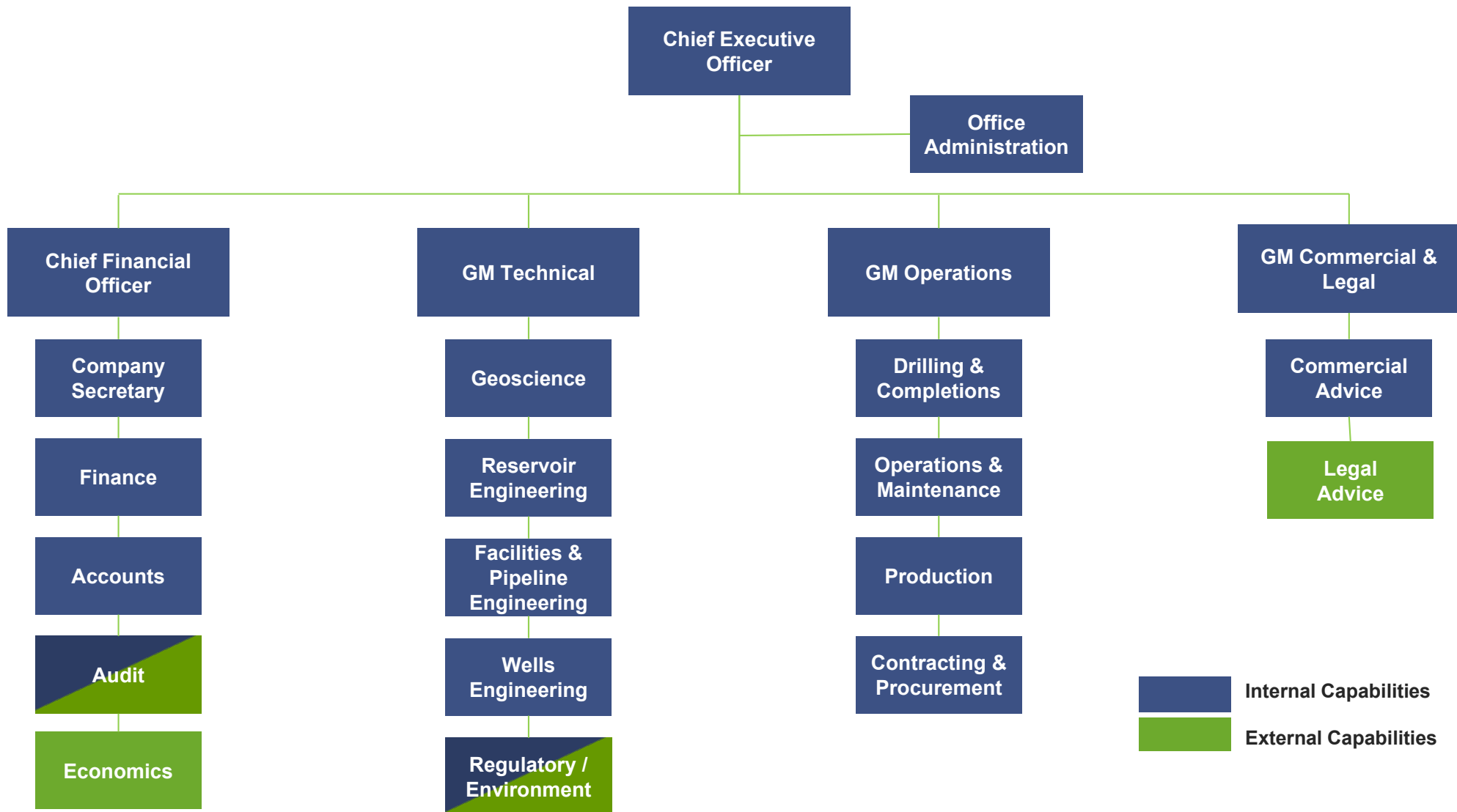
Economic / Financial

- Movement to lower cost base with reduction in overheads and admin costs
- Potential support from SA Government to facilitate move.

Technical

- Integrate sub-surface and engineering
- Future recruitment of staff and services will be conducted in a better experienced and established oil and gas market

An Organisation designed to deliver top class upstream projects



conclusion

Strike
Energy 



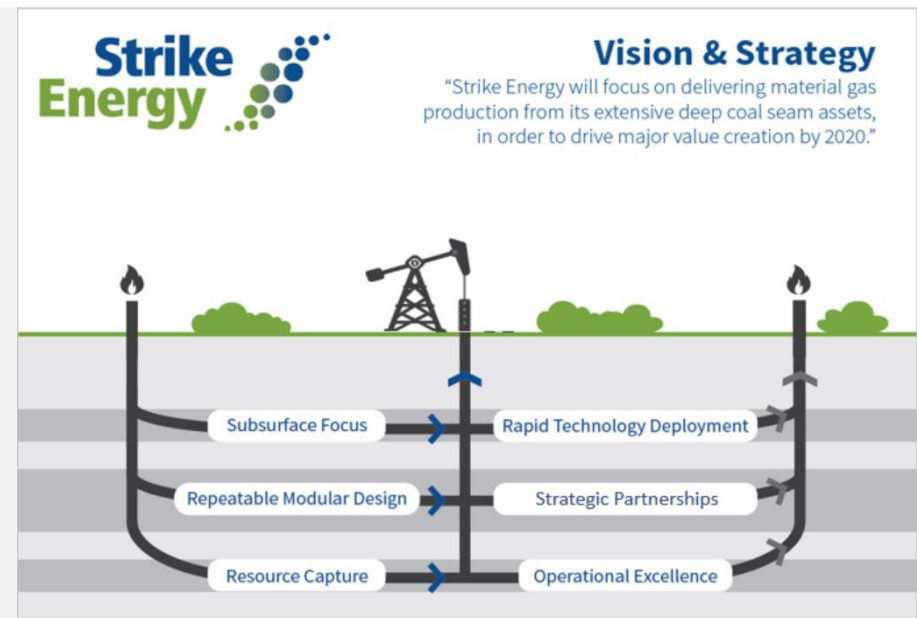
Strike Energy – Southern Cooper Gas Project



Strike's new strategy will drive the business toward a plan that is:

1. Technically credible
2. Robust in all price scenarios
3. Competitive in a diverse and complex market; and
4. Investible in the long term

With the safe and successful execution of the strategy, Strike's vision of itself will materialise. This will release immense shareholder value from its resource and be the catalyst for the re-rating of its equity up to investment grade.



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Contingent Resource Estimate

DeGolyer and MacNaughton was engaged by Strike to undertake an Independent Review of the gas resource in PEL 96 based on the data and information acquired to date by Strike from the drilling and flow testing programs carried out at the Le Chiffre 1 and Klebb 1, Klebb 2 and Klebb 3 wells.

DeGolyer and MacNaughton has estimated a contingent gas resource on a probabilistic basis for the initial zones that have been flow tested within the Le Chiffre 1 and Klebb 1 wells. As these zones only represent a portion of the net coal encountered at these locations, successful flow testing of additional zones will enable an increased contingent resource to be booked.

The table below summarises the Contingent Resource Estimates.

	Contingent Gas Resource Estimates – PEL 96 ¹		
Well	1C ²	2C ²	3C ²
Productive area (acres)	2,171	2,938	3,931
Le Chiffre 1 – Patchawarra Vu Upper and Vu Lower zones (bcf)	62.9	93.2	132.4
Klebb 1 – Patchawarra Vu Upper zone 9 (bcf)	42.1	62.2	93.3
Total Gross Contingent Resource (bcf)	105.00	155.4	225.7

1. Contingent Resource Estimates have been prepared in accordance with the Petroleum Resources Management System “PRMS”. Contingent Resource Estimates are those quantities of gas (produced gas less carbon dioxide and fuel gas) that are recoverable from known accumulations but which are not yet considered commercially recoverable.
2. 1C, 2C and 3C estimates in this table are P90, P50 and P10 respectively for each well and have been summed arithmetically
3. Net to Strike’s 66.7% interest in PEL 96

Important Notice: continued



Competent Persons Statement

Oil and Gas Reserves Estimation Process

The information in this report that relates to oil and gas resource estimates at 01 June 2017 is based on information compiled or reviewed by Mr A.Farley who holds a B.Sc in Geology and is a member of the Society of Petroleum Engineers. Mr A.Farley is Manager Geoscience for the Group and has worked in the petroleum industry as a practicing geologist for over 15 years. Mr A. Farley has consented to the inclusion in this report of matters based on his information in the form and context in which it appears.

Technical validation Review

Igessi Consulting

Tony Cortis (M.Sc. Geology) who brings over 28 years of industry experience with Shell International. He has extensive technical and delivery experience in all three Unconventional Resource play types: tight clastic, shale and coal bed reservoirs. He has actively worked on CBM projects in the Bowser Basin, the Western Canada Sedimentary Basin and in the Ordos Basin of China.

F-TEC Consultants

Temujin Einthal (B.Eng. Chem) has over 12 years in the oil and gas industry in project engineering, commissioning, management, supervision, costing and tendering. Temujin has worked on a wide range of onshore and offshore projects in Australasia, South East Asia and Europe.

Both Mr Cortis and Mr Einthal consent to the inclusion of their findings and information with relation to their revaluation of the PEL96 estimates in both contingent and prospective resources.

DeGoyler MacNaughton

The information contained in this release pertaining to the PEL 96 contingent resources estimate is based on, and fairly represents, information prepared under the supervision of Mr Paul Szatkowski, Senior Vice President of DeGoyler and MacNaughton. Mr Szatkowski holds a Bachelor of Science degree in petroleum Engineering from Texas A&M, has in excess of 40 years of relevant experience in the estimate of reserves and contingent resources and is a member of the International Society of Petroleum Engineer and the American Association of Petroleum Geologists. Mr Szatkowski is a qualified petroleum reserves and reservoir evaluator within the meaning of the ASX Listing Rules and consents to the inclusion of the contingent resource estimate related information in the form and context in which that information is presented.