

Strike Energy Limited Quarterly Report

Q2 - 2017



KEY HIGHLIGHTS Q2 2017

Progression Toward Technical Success

- Constant and growing flares have returned at all 3 wells. Gas rates are building within expectations.
- Gas content within range of expectation (5 - 6.5m³/t).
- Excellent Operational Uptime >99%.

Considerable Operational & Corporate Savings

- \$1.0 mln annual Corporate savings identified.
- \$1.05 mln annual Opex reduction.
- \$450,000 Annual Capital savings.

PACE Funds

- PACE funding of \$2 million received as per award announced in Q1-2017 Quarterly report.

Orica Negotiations

- Negotiations continuing with Orica International Pte Ltd for a revised Gas Sales Agreement.

Return of constant and growing flare at Klebb 3



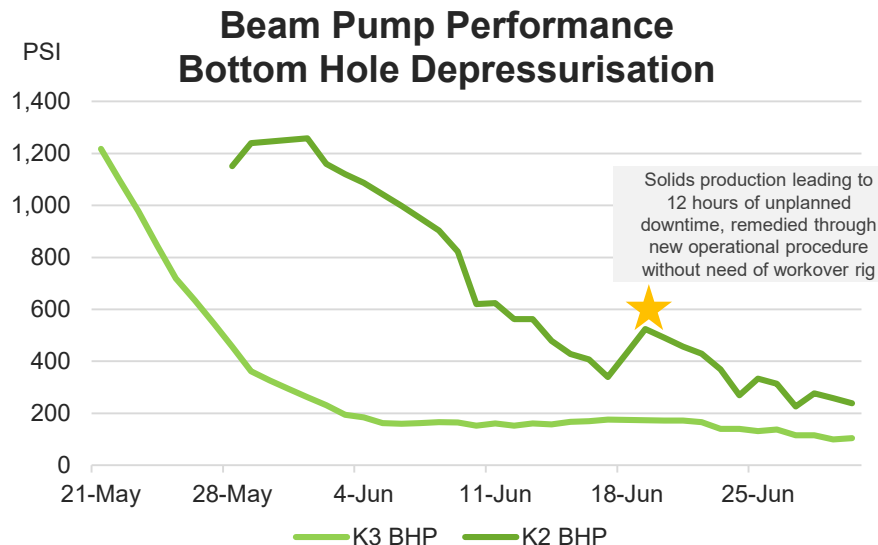


K2 & K3 Workover & Beam Pump Installation

- Works completed under budget without incident
- Klebb 3 commissioned 21st May 17
- Klebb 2 commissioned 28th May 17
- Uptime > 99% since wells brought back online

Extended Production Test Approved

- Necessary to gather required data to achieve Technical Success
- Provide reservoir parameters for detailed Jaws planning

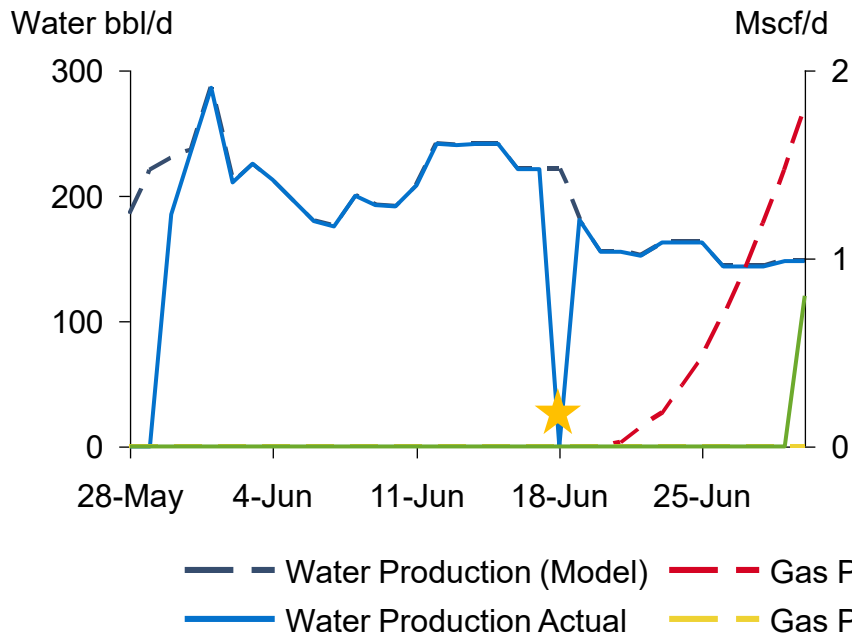


Jet Pumps – Lesson Learnt

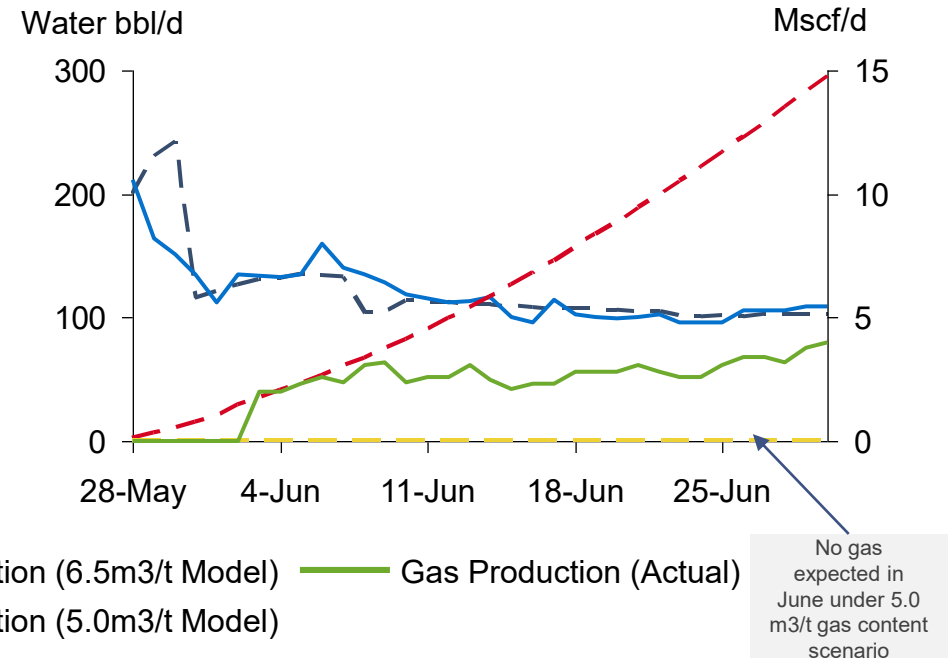
- Cavitation issues from commingled gas & water
- Premature failures of bottom hole assemblies
- Unable to maintain bottom hole pressure for prolonged desorption
- Stop/Starts negatively impacting reservoir
- Opex intensive

PROGRESSION TO TECHNICAL SUCCESS

Klebb 2 Performance Post Commissioning

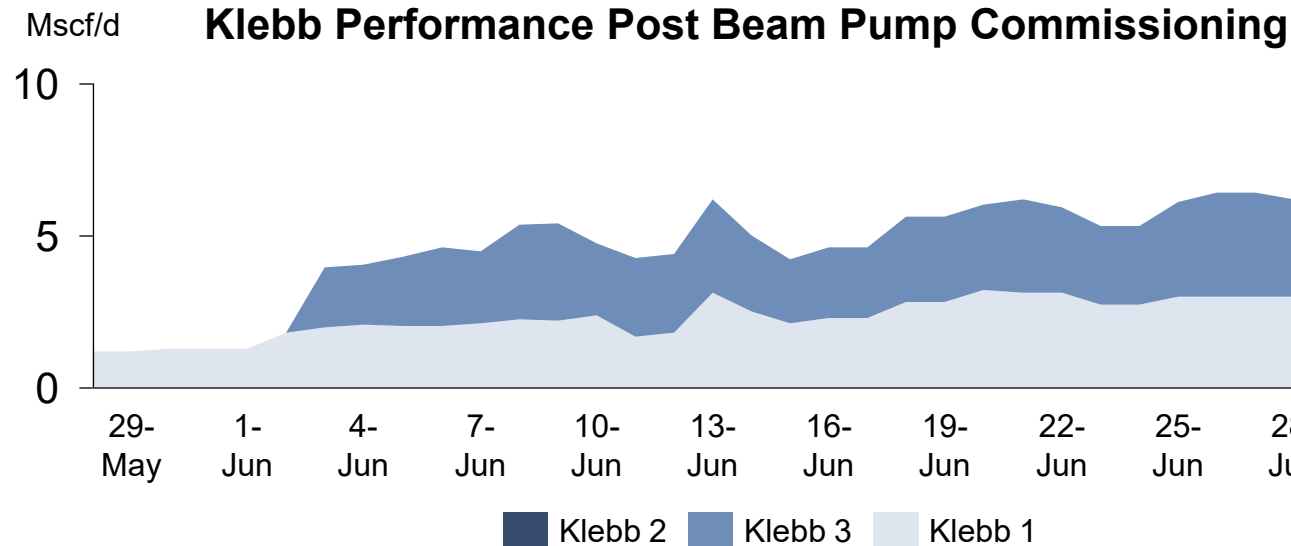


Klebb 3 Performance Post Commissioning



- Early onset of gas in both K3 & K2 a very positive sign leading to potential higher end of reservoir parameter prediction based on **Igessi Consulting** verified Strike Reservoir Model.
- Sluggish gas growth rate in K3 likely resultant from near well bore formation damage, to cleat and fracture network over continual stop/start life of well, effects seem to be reducing.
- More data over coming weeks is required to build higher model confidence to declare Technical Success.

TECHNICAL SUCCESS UPDATE



Return of constant and growing flare at K2



Klebb Exploration Wells

- Currently flares on all three operating wells.
- Some minor formation damage may lead to reduced theoretical performance.
- Noticeable effect of communication between wells seen through K1 build.
- New production goal to convert Klebb gas to onsite power generation (annual diesel savings up to \$400,000).

Sensitivity to Start / Stop

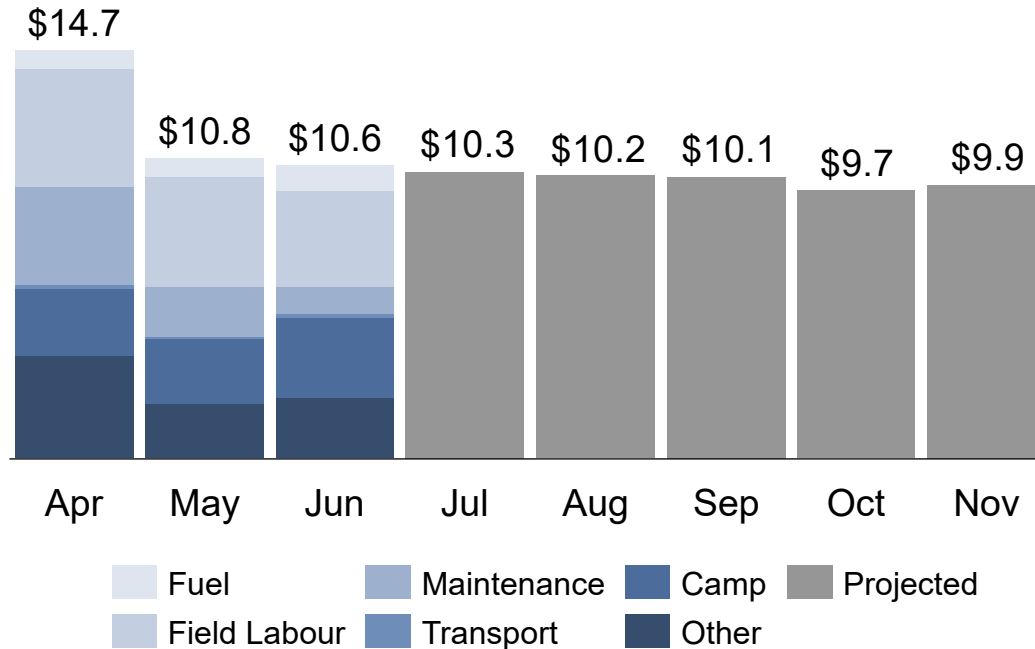
- Strike is building good operational learnings from past performance where operations were unable to maintain low bottom hole pressures and consistent water/gas production.

Reduced Water Production

- Water production lower than expected, investigation ongoing.
- Suspected less water saturation in reservoir.

OPERATIONS SAVINGS

Average Daily Field Cost 2017 (\$k monthly average)



Operational Efficiencies Program

CEO initiated whole of company cost review to manage cash flows and underpin lean operations for Jaws.

- Reduced field headcount.
- Final transition of consultants to staff.
- Reduced fuel from beam pumps.
- Reduced consumables & spares.
- Negotiated savings in site camp & vehicles dry hire.
- Ongoing 12% Cost Reductions.

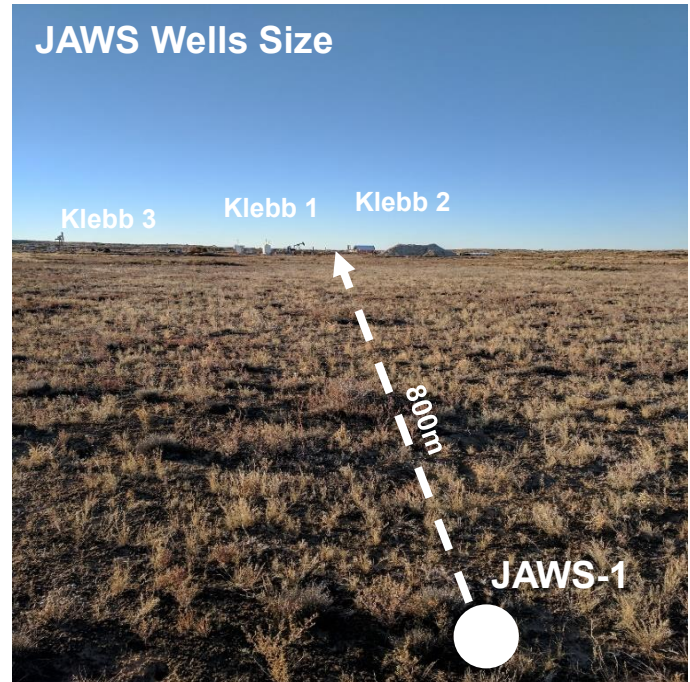
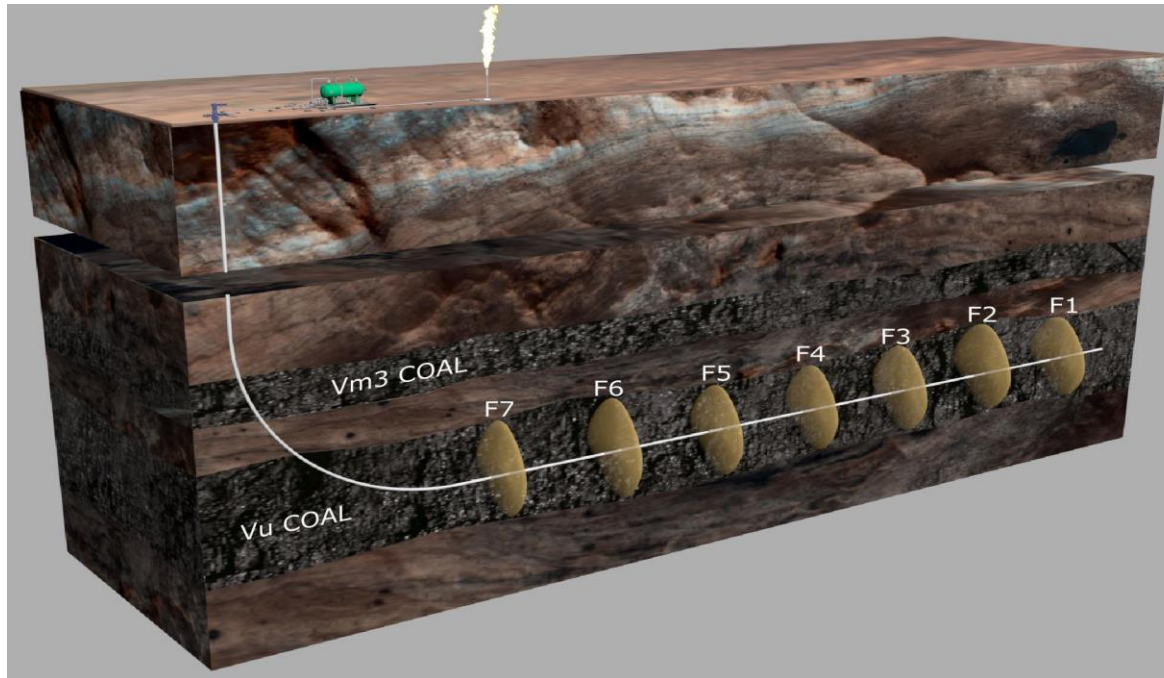
Total Operations Savings \$1.05mIn

* changes to year end forecast since April 10th

Capital Project Performance

- Klebb 2 & 3 Workover and Beam Pump Installation completed 13% under budget.
- Klebb Access Road Upgrade & Remediation in progress with forecast delivery 25% under budget.
- **Total Capital Savings (Actual & Forecast) of \$450k.**

JAWS PLANNING UPDATE



Jaws takes on lessons learnt from Klebb

- Horizontal well improves 'net pay' which equals improved rates and ultimate recoveries.
- Multi-stage stimulation increases permeability and access of the well bore with a greater percentage of the coal seam directly.
- Large well diameter to improve production operations.
- Reliable artificial lift choice to perform in 'known' subsurface conditions.

Technology Advancements Reduce Time & Execution Risk

- Progress in the US onshore industry has led to the improved deliverability of horizontal multi-stage stimulation wells.
- Multiple vendors now offering technology deployment within Cooper Basin for speed and cost of delivery.

Board of Directors

John Poynton (Chairman)
Jody Rowe
Brendan Ostwald
Simon Ashton
Tim Goyder

Corporate / Registered Office

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Securities Exchange

ASX: STX

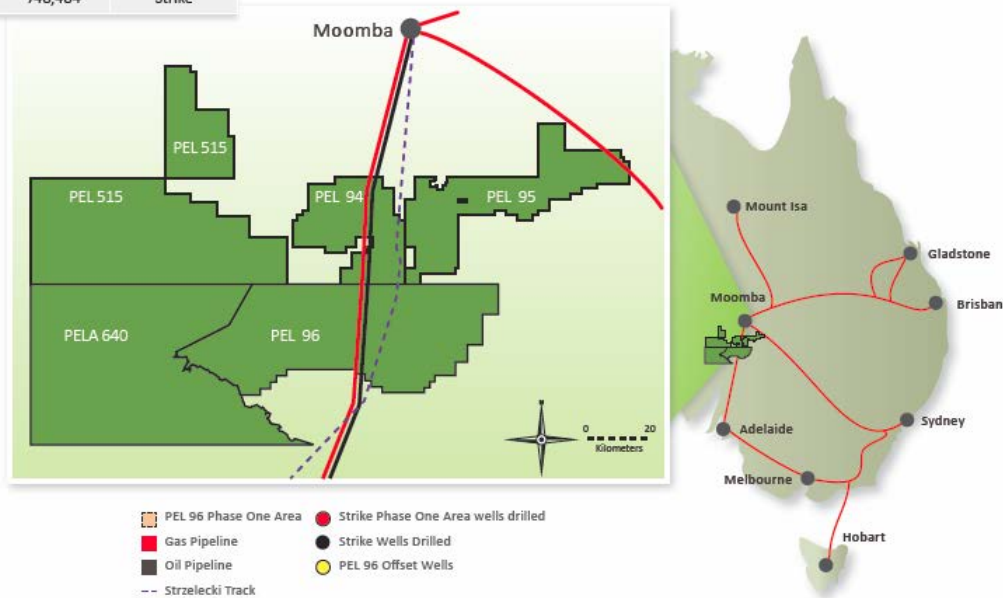
Securities on Issue

Shares: 964,640,299
Options: 4,200,000
Performance Rights: 12,550,000

- Spend for the quarter on operations was \$3.8 million due to significant one off costs that included beam pump completions as well as continued production testing at the Klebb facility in pursuit of Technical Success.
- Strike received \$2 million under South Australia's PACE Gas Grant Program.
- The joint venture activities continue to be fully funded with any savings as outlined above extending the runway for a declaration of Technical Success.
- Application for PACE Gas Grant Program, round 2 of up to \$8 million to fund the Jaws Project is in progress and on target for lodgement by end July 2017.
- Negotiations with Orica International Pte Ltd for a revised gas sales agreement continue following Strike's announcement to ASX on 1 June 2017.
- **The Company completed the quarter with \$4.9 million of cash on hand at 30 June 2017.**

STX: LICENCE INFORMATION

Permit	STX Working Interest	STX Net Acres	Operator
PEL 96	66.67%	443,880	Strike
PEL 95	50%	160,248	Beach Energy
PEL 94	35%	77,925	Beach Energy
PELA 640	100%	850,786	Strike
PEL 515	100%	748,484	Strike



Competent Persons Statement

The information in this report that relates to appraisal results 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.

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.

Mr Cortis has consented to the inclusion of his reviews and validation with relation to the reservoir models from within PEL96.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

STRIKE ENERGY LIMITED

ABN

59 078 012 745

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	23	775
1.2 Payments for		
(a) exploration & evaluation	(2,802)	(10,455)
(b) development	-	-
(c) production	112	(792)
(d) staff costs	(1,383)	(4,086)
(e) administration and corporate costs	(518)	(2,538)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	65
1.5 Interest and other costs of finance paid	(47)	(308)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	6,334
1.8 Other (provide details if material)	2,890	5,570
1.9 Net cash from / (used in) operating activities	(1,719)	(5,435)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(15)	(28)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	1
	(b) tenements (see item 10)	1	68
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(14)	41

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	4,502
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(352)
3.5	Proceeds from borrowings	1,179	3,199
3.6	Repayment of borrowings	-	(4,113)
3.7	Transaction costs related to loans and borrowings	-	(109)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,179	3,127

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,487	7,214
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,719)	(5,435)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	41
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,179	3,127
4.5	Effect of movement in exchange rates on cash held	(70)	(84)
4.6	Cash and cash equivalents at end of period	4,863	4,863

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,624	2,117
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other – Share of JV bank accounts	1,239	3,370
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,863	5,487

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

216

-

In addition to the respective salary and fee payments made to Directors in item 6.1, during the quarter, the Group also made payments to M H Carnegie & Co Pty Ltd (a director related entity via Mr M Carnegie) under the terms of an office leasing agreement (\$9,747) and to Challenger Geological Services (a director related entity via Mr S Ashton) for geological related services (\$4,785).

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	6,100	5,699
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Lender	Interest rate	Secured/Unsecured	Balance Outstanding at Quarter end
Orica Australia Pty Ltd	Interest Free	Unsecured	A\$ 2,500,000
Commonwealth Bank of Australia	5.98%	Secured against R&D refund from ATO	A\$ 3,199,000

For further details on the Company's financing facilities, please refer to the 30 June 2016 Annual Report.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,568
9.2 Development	-
9.3 Production	-
9.4 Staff costs	845
9.5 Administration and corporate costs	399
9.6 Other (provide details if material)	(544)
9.7 Total estimated cash outflows	3,268

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Date: 20 July 2017

Matthew Montano

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

Appendix A – Petroleum permit and joint venture interests

Australia

Permit / Joint Venture	Location	Registered Holder	Involvement	% Interest
PEL 96	Southern Cooper Basin	Strike Energy 96 Pty Limited	Operator	66.667
PELA 640	Southern Cooper Basin	Strike Energy Cooper Pty Limited	Operator	100.00
PEL 515	Cooper Basin	Strike Energy Cooper Pty Limited	Operator	100.00
PEL 94	Southern Cooper Basin	Strike Energy 94 Pty Limited	Participant	35.00
PEL 95	Southern Cooper Basin	Strike Energy 95 Pty Limited	Participant	50.00
PPL 210	Southern Cooper Basin	Strike Energy 95 Pty Limited	Participant	50.00