ASX Announcement

13 October 2017

The Company Announcement Officer ASX Ltd
via electronic lodgement

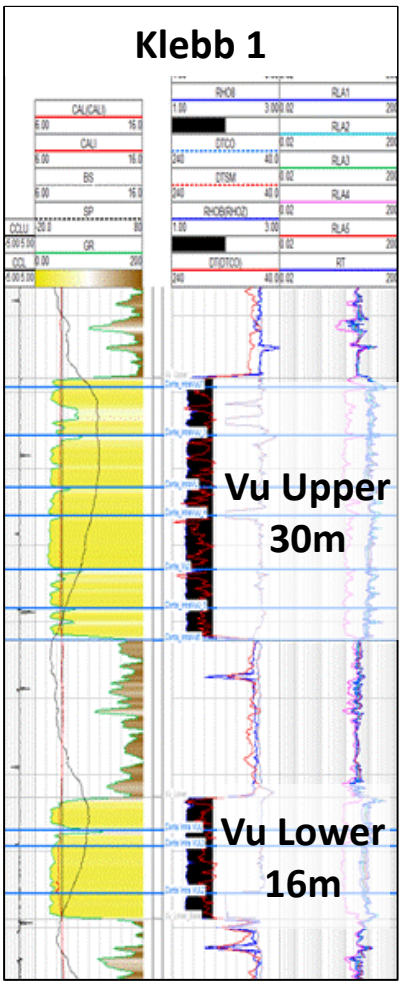
K1 RECOMPLETION COMMENCES

Strike Energy Limited (ASX: STX) (**Strike**) is pleased to announce that, in line with its update in September, it has mobilised a workover rig and slickline unit to the Klebb pilot area within PEL96 (Strike 66.67% and Operator, Energy World Corporation Limited (ASX:EWC) 33.33%) to recomplete the Klebb 1 well down to the Vu Lower coal seam.

The K1 recompletion is expected to:

- provide vital reservoir and production data on both water and gas flows from the Vu Lower, necessary to progress technical success of the Vu Lower; and
- allow for observation of comingled flows between the Vu Upper and Vu Lower coal seams and its effect on production. This additional analysis will be used to progress the aspired 'Spectre' well design.

The estimated budget for the recompletion is $220,000 Strike share (66.67%) and is expected to take approximately one week to complete.



Supporting information for the recompletion:

The Vu Lower coal is approximately 16.0m thick (2,073-2,089m depth) and comprises several correlatable sub-cycles that form a composite blocky package of two coals separated by a thin silty layer. This blocky package appears to be laterally homogenous at least across the area of the Klebb pilot. Historical operations reports from the K1 drilling campaign in July 2014 show that K1 was drilled, cased and fracture stimulated in both the Vu Lower and Vu Upper coals.

Following perforation and prior to fracture stimulation an injectivity test and a mini fracture of the Vu Lower zone was carried out. The injectivity test pumped 30.6 bbl of water into the formation at approximately 5 bpm. The pressure was then monitored for 90 hours. Radial flow behavior was observed and post closure analysis suggests that a system permeability of 0.78 (linear) to 1.25 mD (log-log) was present. The mini-fracture test indicated 54% fluid efficiency and a fracture gradient of 0.79 psi/ft. The main fracture job in the Vu Lower was successfully placed without incident. This is the largest stimulation placed in any of the wells in the Klebb pilot. The fracture successfully placed 85.2 T of proppant. Modeled fracture half-length was 142m and fracture height was estimated to be 26-31m (exceeding coal thickness).

It is important to note that the well was not flowed back following the placement of this fracture treatment. The formation was immediately suspended and isolated. It has remained so for 3 years. The process of leaving a well shut-in for an extended period – "soaking" – has been used by some operators exploiting coal seam gas and shale gas/oil resources. Some specific cases conclude that this can be beneficial, albeit in shale gas reservoirs, whilst other studies believe that soaking a coal seam gas well has negligible effects. However, the industry consensus is that leaving hydraulic fracture fluid in the well is detrimental to ultimate performance. It is conventional to flow back wells soon after treatment. The effects of this 'soaking' time will not be understood until water and gas production commences.

Strike will provide further updates on operations as they progress.

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