

Strike Energy Limited Quarterly Report

Q2 - 2018



Jaws-1 Lease July 2018

Key Highlights Q2 2018

Jaws-1

- Successful delivery and stimulation of Jaws-1 confirmed via Halliburton analysis.
- Vertical intercept well commissioned.
- Horizontal awaiting re-run of ESP completion.
- Production testing to commence shortly.

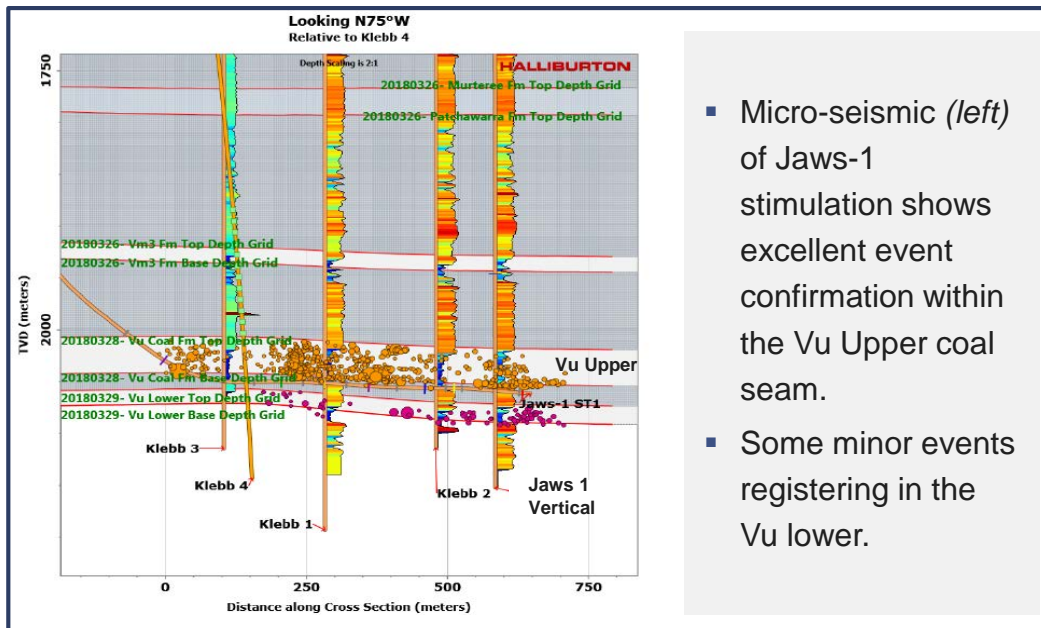
West Erregulla

- Completed acquisition of 50% interest in and operatorship of EP469 with Warrego Energy.
- West Erregulla target has been matured to confirm presence of a material standalone conventional gas target.
- Strike has declared a major prospective resource in the Kingia-High Cliff.
- Ongoing geophysical work increases confidence in reservoir quality of West Erregulla.

Jaws vertical wellhead post ESP completion



Jaws Progress Update



Delivery Update

- Jaws-1 construction complete.
- Vertical intercept pump start-up successful.
- Horizontal pump has been pulled to surface for inspection.
- Delay of 1-2 weeks expected until both pumps operational and depressurisation begins.
- Post start-up dewatering of 2-4 months before material gas desorption is expected.
- Commercial success will be declared when gas production crosses modelled threshold.

Jaws-1 Stimulation



Southern Cooper Coals – Update

Gas Composition

As advised in 'Jaws Technical Update' 2nd July 2018

- Total gas content of 6.0m³/t of the Southern Cooper Patchawarra coals, comprising almost exclusively Methane and CO₂.
- Numerous conclusive tests and analyses over time of both Klebb production and Le Chiffre cores have shown ~70% methane. Composition analysis from the cores obtained from Jaws suffered from air contamination and consequently the results of the test were declared invalid by Strike's third-party experts.
- Based on isotherm data, full scale production from Jaws may show lower CO₂ levels than Strike's estimates due to preferential desorption.

Production testing at Klebb 2017

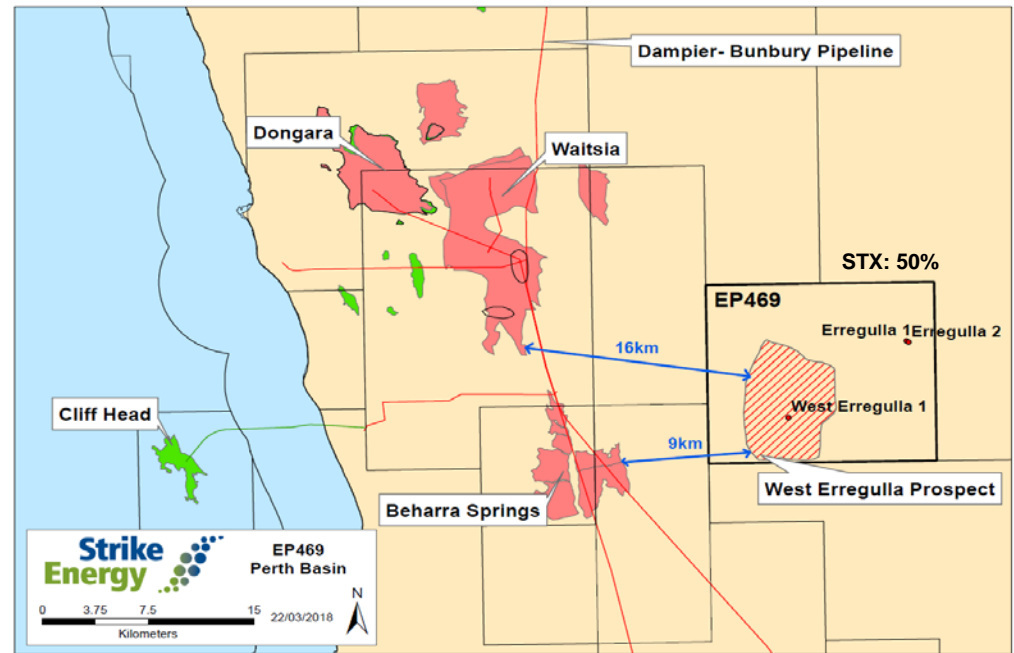


CO₂ Management

- Management of CO₂ is a standard industry and Cooper Basin practice.
- The handling of CO₂ in a sustainable manner will become more critical as Australia progresses into a low carbon future.
- Strike intends to pick up on work completed by the University of Adelaide on enhanced gas recovery from coal seams via sequestration and carbon dioxide sweep of the reservoir.

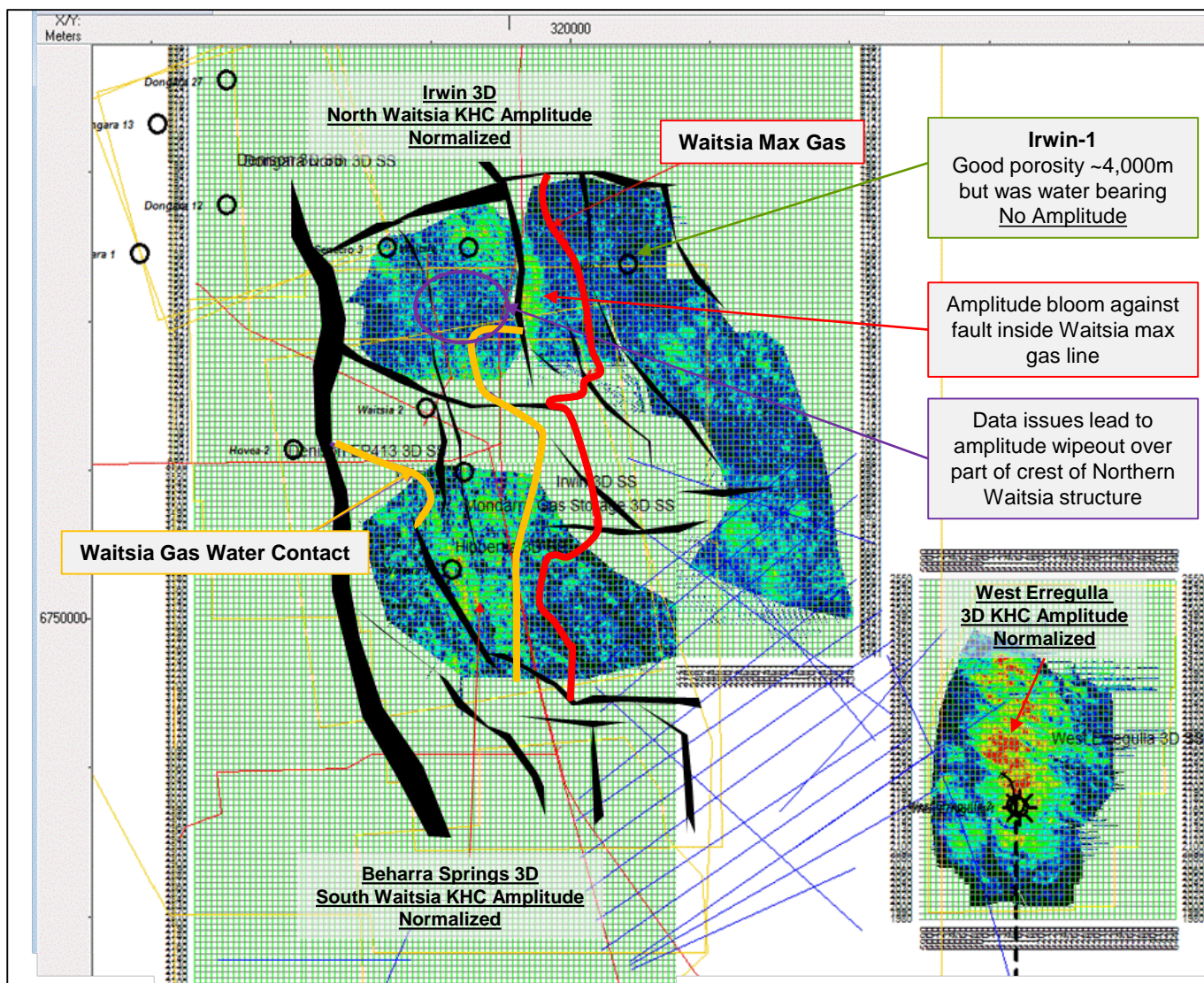
West Erregulla Gas Project Update

- Strike has completed the transaction and is now on title as registered operator.
- Strike has published a material prospective resource over the block as per the announcement on the 13th of June 2018.
- Prospective Resource volumes at West Erregulla are similar in size to the Waitsia gas discovery, it's direct analogue.
- With abundant nearby gas processing and transmission infrastructure West Erregulla is a high value target that can be brought onstream quickly.
- Strike is progressing towards drilling in Q1/2019.



West Erregulla Conventional Gas (BCF) Prospective Resource		
OGIIP	STX Share (50%)	100%
Low Estimate (P90)	285	570
Best Estimate (P50)	442	884
High Estimate (P10)	620	1,240

Waitsia analogue confirmed via conformable amplitudes



Positive correlation between structurally conformable amplitudes and gas; which can be seen on 3 different 3D surveys across Waitsia & West Erregulla

- Despite poor quality of Waitsia 3D, amplitude blooms are present in both North and South parts of Waitsia field and switch-offs correspond to reported gas water contact.
- A good “negative” correlation of low amplitudes at Irwin-1 which found commercial quality Kingia reservoir at ~4,000m but was not gas charged.
- Good quality West Erregulla data shows coherent anomaly which increases confidence

Finance & Commercial Update

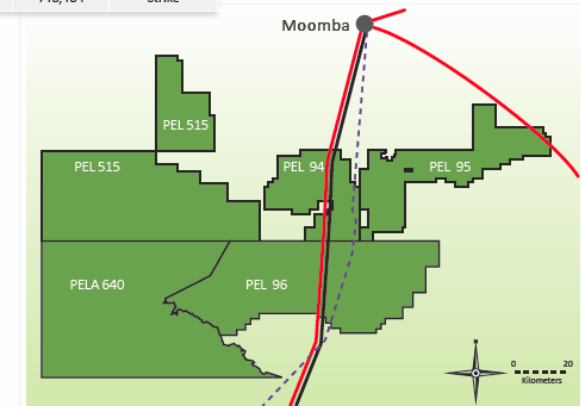
Commercial Activities

- Strike is currently reviewing its acreage position with particular reference to its non-core assets.
- As a result Strike has entered advanced discussions regarding the procurement of finance to fund the balance of the activities remaining for 2018; these include the Jaws piloting and West Erregulla program.
- Should delays to any commercial transaction occur, Strike will assess its financing options at the time.

R&D AusIndustry Review

- Strike received an adverse finding from Innovation and Science Australia (ISA) regarding Strike's \$6.3 million R&D tax incentive claim for the 2015/16 financial year.
- This finding follows outcomes from two previous reviews by the Australian Tax Office that supported and validated Strike's R&D claims, including for the 2015/16 Financial Year. Strike is aware that ISA are conducting broad reviews of prior financial year R&D incentive claims, with a focus on resource and energy related businesses.
- Given the novel and pioneering nature of the world's deepest coal seam play that is Strike's Southern Cooper Basin Project and the unique technologies, procedures and methods that have been applied to pioneer the Project, Strike is confident that its claim for the 2015/16 financial year is compliant, and that ISA's finding is not substantiated. Strike has lodged a request for an Internal Review of ISA's finding by an appropriately qualified and experienced assessor. Strike expects the review to take place over 2018 and 2019.

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



Finance & Commercial Update Continued

Operations

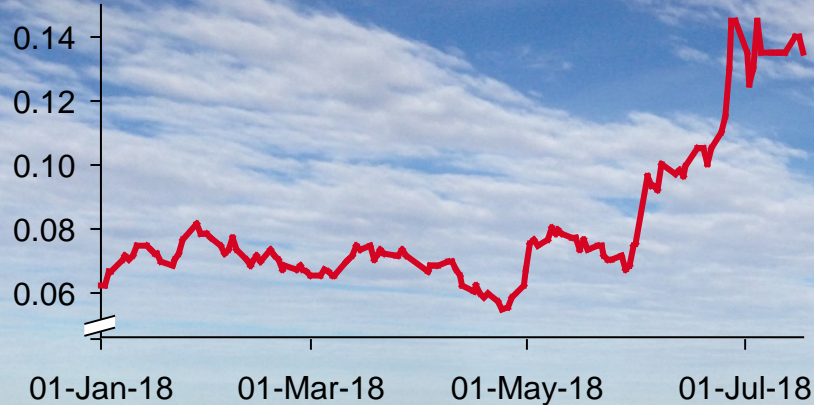
- Spend for the quarter on operations was \$3.45 million and was centered around the delivery of the Jaws-1 Project wells.
- Expenditures at the SCBGP are expected to be minimised to only the piloting operations of the Jaws project and supporting activities of the Klebb wells until Commercial Success.
- The Company completed the quarter with \$3 million of cash on hand.



Strike Energy Limited



STX Performance YTD (cps)



Board of Directors
John Poynton (Chair)
Andrew Seaton
Jody Rowe
Tim Goyder
Stuart Nicholls (MD)

Securities Exchange
ASX: STX

Market Capitalisation
~\$153 million
30th June 2018
\$0.14 per share

Securities on Issue
Shares: 1,094,640,299
Options: 27,000,000
Performance Rights 9,250,000

Top 30 Shareholders
40% ownership

Cash & Facilities
~\$3 mln as per the end of Q2/2018

Corporate / Registered Office
Unit 1 31-35 George St, Thebarton
Adelaide, South Australia
T: +61 8 7099 7464
E: strike@strikeenergy.com.au
W: www.strikeenergy.com.au

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.

Igesi 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. T. Cortis has consented to the inclusion in this report of matters based on his information in the form and context in which it appears.

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 2018

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	-	-
1.2 Payments for		
(a) exploration & evaluation	(3,528)	(15,126)
(b) development	-	-
(c) production	-	-
(d) staff costs	(1,084)	(4,700)
(e) administration and corporate costs	(640)	(2,665)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	29	166
1.5 Interest and other costs of finance paid	(86)	(237)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	3,697
1.8 Other (cost recoveries from JVs)	1,860	6,020
1.9 Net cash from / (used in) operating activities	(3,449)	(12,845)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(409)	(409)
(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	-	-
	(b) tenements (see item 10)	-	-
	(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)	381	608
2.6	Net cash from / (used in) investing activities	(28)	199

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	9,100
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	-	(476)
3.5	Proceeds from borrowings	2,292	5,265
3.6	Repayment of borrowings	-	(3,199)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	10	41
3.10	Net cash from / (used in) financing activities	2,302	10,731

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,147	4,863
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,449)	(12,845)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(28)	199
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,302	10,731
4.5	Effect of movement in exchange rates on cash held	1	25
4.6	Cash and cash equivalents at end of period	2,973	2,973

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	1,966	1,882
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (share of JV bank accounts)	1,006	2,265
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,972	4,147

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	58
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	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

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.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7,900	7,765

Lender	Interest Rate	Secured/Unsecured	Balance Outstanding at Quarter End
Orica Australia Pty Ltd	5.80%	Unsecured – convertible note	A\$2,500,000
Commonwealth Bank of Australia	BBSY plus 4.55%	Secured against R&D refund from ATO	A\$5,264,650

9. Estimated cash outflows for next quarter**\$A'000**

9.1 Exploration and evaluation

3,515

9.2 Development

-

9.3 Production

-

9.4 Staff costs

1,100

9.5 Administration and corporate costs

63

9.6 Other (provide details if material)

(1,320)

9.7 Total estimated cash outflows**3,358**

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	EP 469 Perth Basin, WA	Interest in the title and operatorship	0	50%

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:


(Director/Company secretary)

Date:19 July 2018.....

Print name:Justin Ferravant.....

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.