

Strike Energy Limited Quarterly Report

Q4 - 2018



Jaws-1 Horizontal Flare 28th October 2018

Key Highlights Q4 2018

Jaws

- Jaws gas trend positive throughout the quarter.
- Major gas release on New Year's Day provides strong indication of reservoir quality and potential for future material gas flows.

West Erregulla

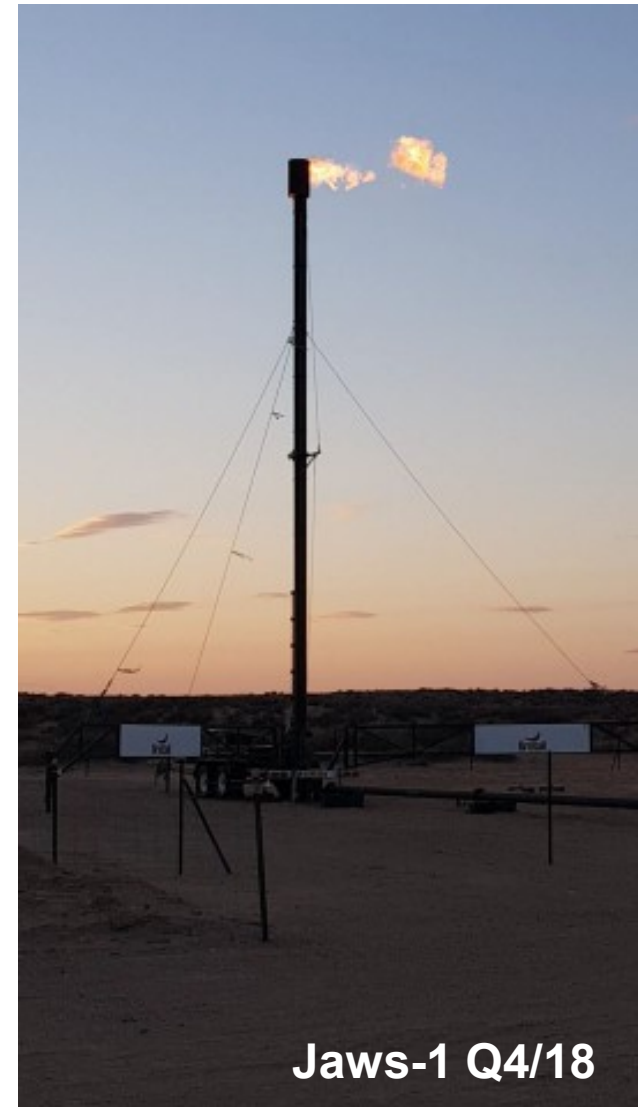
- Rig procurement complete; Easternwell Rig 106 due to spud West Erregulla-2 in May.
- Prospective volumes have increased to make West Erregulla one of the largest onshore pre-drilled conventional targets in Australia.

Finance

- Successfully raised \$14mIn (gross) via placement and SPP.

UIL Energy Acquisition Complete

- Strike completed its takeover of UIL Energy and has consolidated the two companies.
- UIL Energy Non-Executive Director Stephen Bizzell joined the Strike Board.



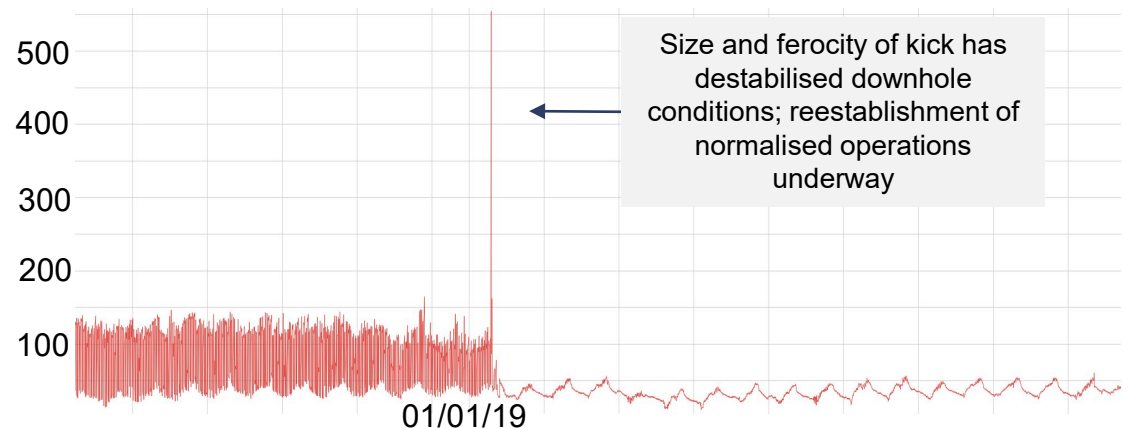
Jaws Update

Jaws-1 Horizontal Flare
Q4/18



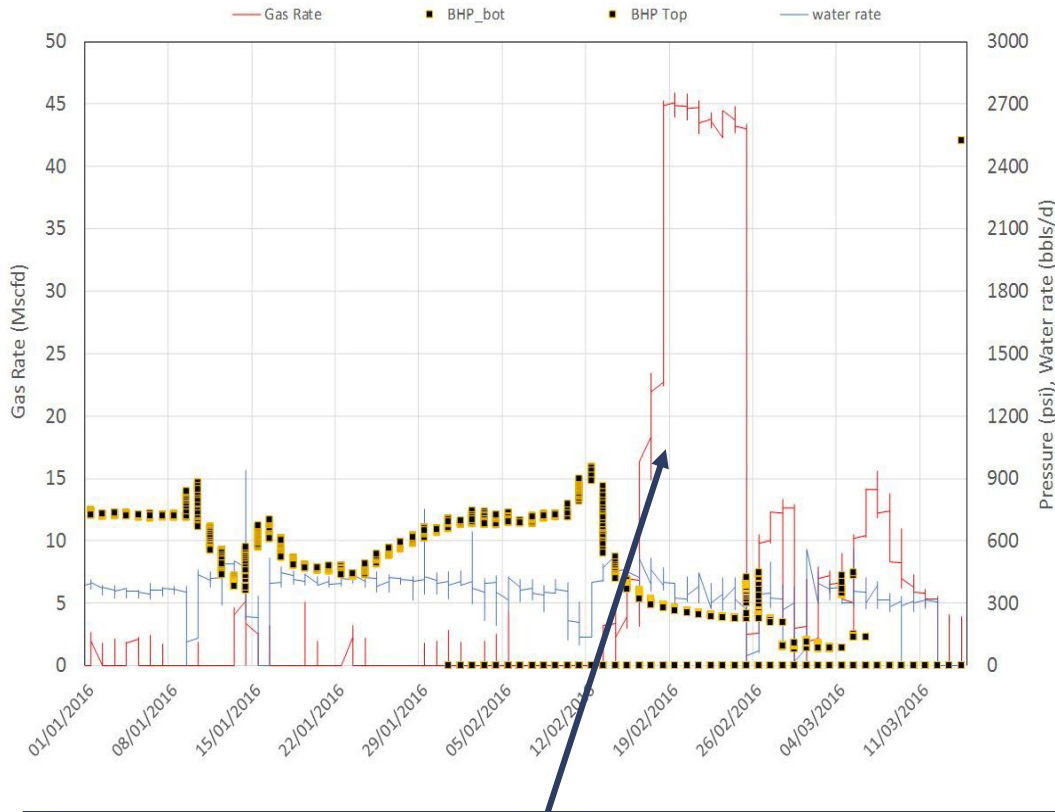
- Gas production continued to build steadily during the quarter as the reservoir was drawn down to the critical desorption pressure.
- On New Year's day a significant desorption event occurred with the sudden release of gas causing a deposit of sand into the wellbore which has temporarily destabilised downhole conditions.
- Rig-less intervention is underway to return the well to pre-event conditions. Reservoir integrity is maintained and vertical pump running.
- A contingent workover program is in place should further intervention be required.
- Commercial success will be declared when sustained gas production crosses the threshold for booking a reserve.

Jaws-1 Gas Production (mscf/d)



Jaws – Critical Desorption Pressure Identified

Klebb-3 Historical Performance 2016



Klebb wells experienced major step changes in production during their initial drawdown. This similar behaviour was recently observed at Jaws.

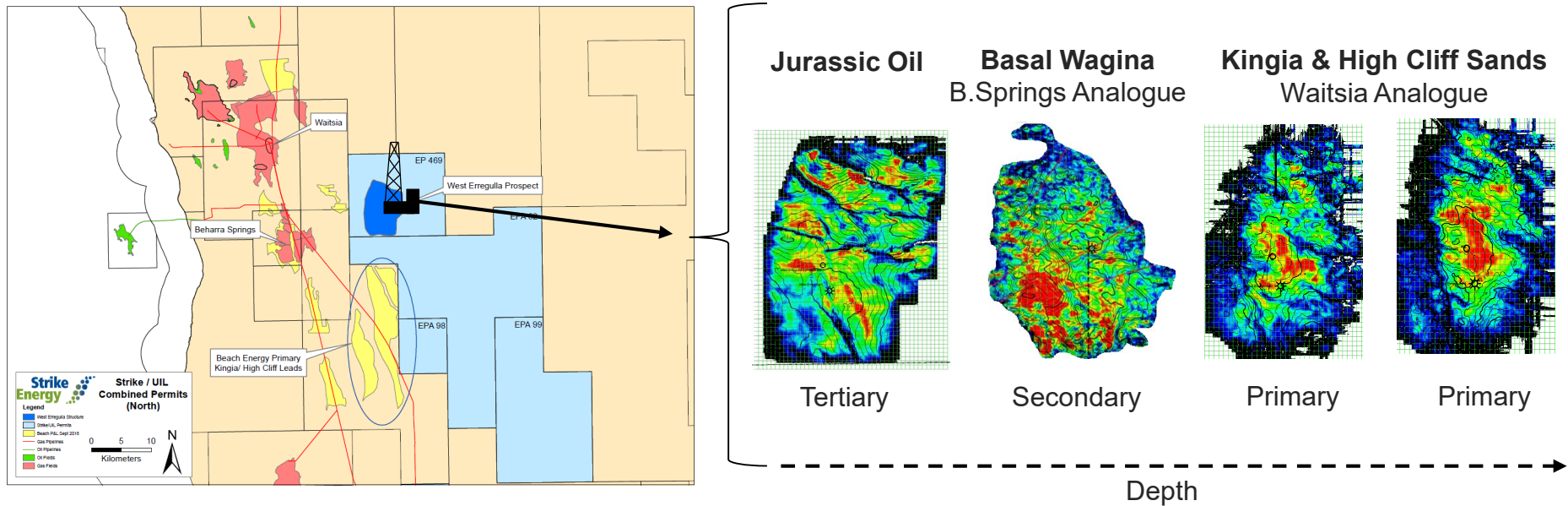
Klebb Well Histories

- Historical data shows that at a pressure between 200-300 psi, the Klebb wells experienced significant kicks in gas production up to 10x the previous rate.
- Artificial lift (jet pumps) used during this period was not suitable for the two-phase stream and could not sustain operation to see further gas increases.

Jaws Performance

- Jaws experienced its first step change event on New Year's day with the same multiplying gas rate and narrowing the desorption window to 215-225 psi.
- Following the well intervention, Strike will return to this pressure window and expects a major step change to occur with the new ESPs and facilities capable of sustaining the pressure required to enable full gas potential.

West Erregulla Stacked Plays



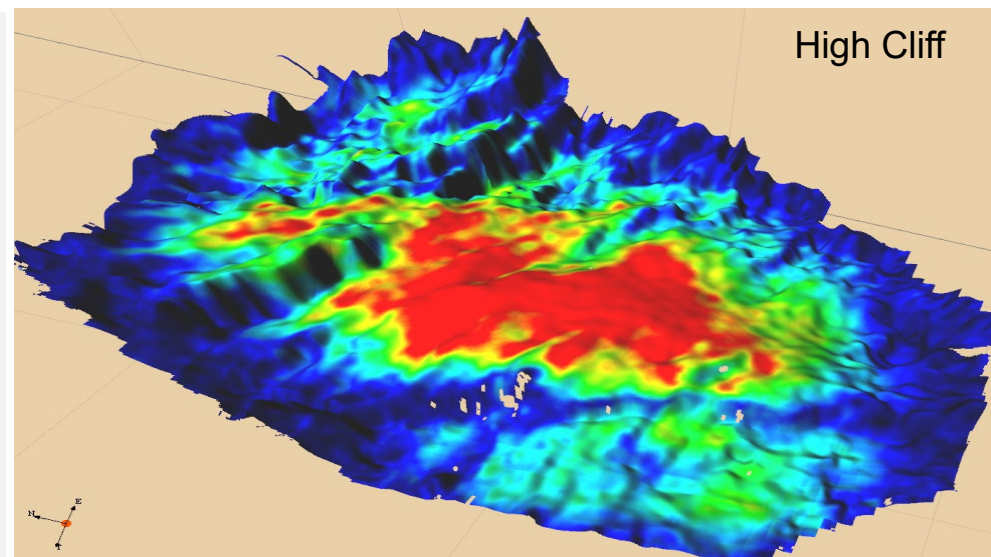
- Due to EP469's position during the evolution and filling in of the Dandaragan trough (which ran North-South), all the major commercialised plays of the Northern Perth Basin are present and of a potential quality that could result in a standalone discovery.
- Reprocessing of the WE 3D has allowed for significantly better stratigraphic resolution and the identification of additional stacked leads and prospects.
- The West Erregulla-2 well will penetrate three targeted play sequences which all have the potential of resulting in a commercial discovery should any or all targets be successful.

West Erregulla – A Tier One Asset

1. Strike is the operator and holder of 50% equity in EP469
2. Strike has finalised detailed technical work and analysis on a **material standalone conventional gas prospect** with a gross prospective resource across the stacked play estimated at up 1.7 TCF (high P10) – see table below.¹
3. Strike is well placed to influence the forecast shortage in the WA domestic gas market in the near term, should WE-2 prove successful.

The Target:

- Is closely analogous to Waitsia
- Has a high geological POS
- Has multiple Direct Hydrocarbon Indicators
- Is structurally conformable with amplitude, QI and AVO support
- Is adjacent to existing gas infrastructure including two major pipelines



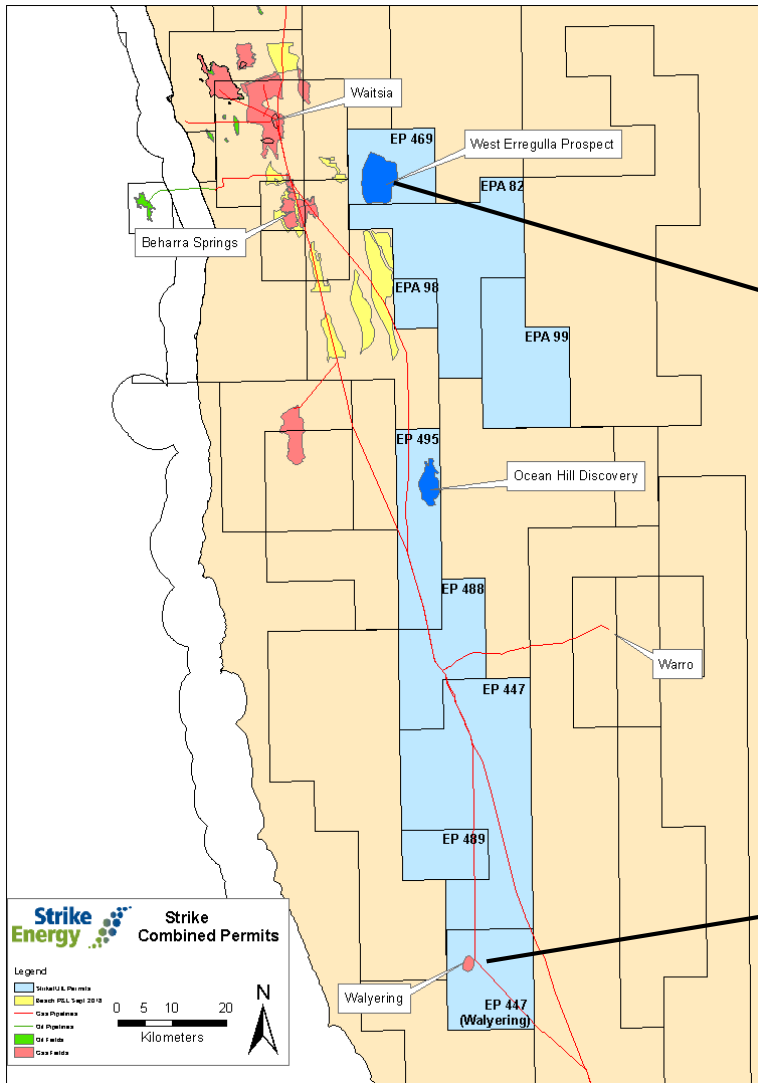
High Cliff

West Erregulla Conventional Gas (BCF) Prospective Resource¹

OGIIP		Kingia	High Cliff	Wagina	Total
Low Estimate (P90)	Net to STX	142	162	77	381
	Gross	283	324	154	761
Best Estimate (P50)	Net to STX	227	231	124	582
	Gross	454	462	247	1,163
High Estimate (P10)	Net to STX	335	314	186	835
	Gross	670	627	372	1,669

1. 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 are unrisked and 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. STX interest is 50%. Refer ASX announcements dated 13 June 2018 and 14 January 2019 for full details of resource estimate. Strike confirms it is not aware of any new information or data that materially affects the information included in the aforementioned announcements and that all material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed.

Perth Basin Operations Update



Easternwell106 above



Land seismic fleet below

West Erregulla-2

- Easternwell 106 rig secured on the back of rig mobilisation cost sharing arrangement with neighbouring operator.
- Easternwell 106 rig is one of the largest land rigs in Australia with the potential to reduce drill time by 10%.
- Casing has started arriving in WA.
- Environmental Plan and Well Management Plan approved.

Walyering

- Strike supporting Pancontinental in the progress of their farm-in via the Walyering 3D campaign.
- Approvals to be completed in Q1/19.
- Walyering looking to delineate the un-drilled compartments of the discovery with best estimate prospective resource of 63 BCF.¹

1. 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. STX interest is 100%. Refer UIL Energy ASX announcement dated [insert] for full details of resource estimate. Strike confirms it is not aware of any new information or data that materially affects the information included in the aforementioned announcements and that all material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed.

R&D AusIndustry Review

- Strike received an adverse finding from Innovation and Science Australia (ISA) regarding its 2017-18 (Jaws) R&D tax incentive claim. This is separate to the FY2015/16 assessment and review which is ongoing.
- This 2017-18 R&D tax refund was earmarked to repay the CBA R&D facility due by end March of \$5.3mln. Strike plans to request an internal review (under Division 5 of the *Industry Research and Development Act 1986*) with ISA and has initiated discussions with CBA to realign the facility with the timing of the review.
- Strike is confident that Jaws meets the criteria for R&D and intends to use all available avenues to pursue this claim. This view has academic support from tertiary institutions studying the deep coal thesis and from other experts in the field of deep coal and R&D.
- Strike is gravely disappointed by ISA's R&D finding, particularly at a time when this research and development expenditure is inline with reversing energy security issues and is at the top of the national agenda.
- Strike is a global innovator of deep coal seam gas, having led a world first experiment in uncommercialised geology, and has the potential to greatly influence the east coast gas market. Strike has requested support from the Federal Government Department of Resources to resolve this issue.

WA Regulator Engagement

- Strike has engaged with the WA regulator to resequence the commitments of its new combined WA portfolio in order to best meet the State's immediate and long term gas demand. This will allow Strike to systematically plan the exploration and appraisal of the portfolio with the support of geologically sound reasoning.

Non-Core Assets

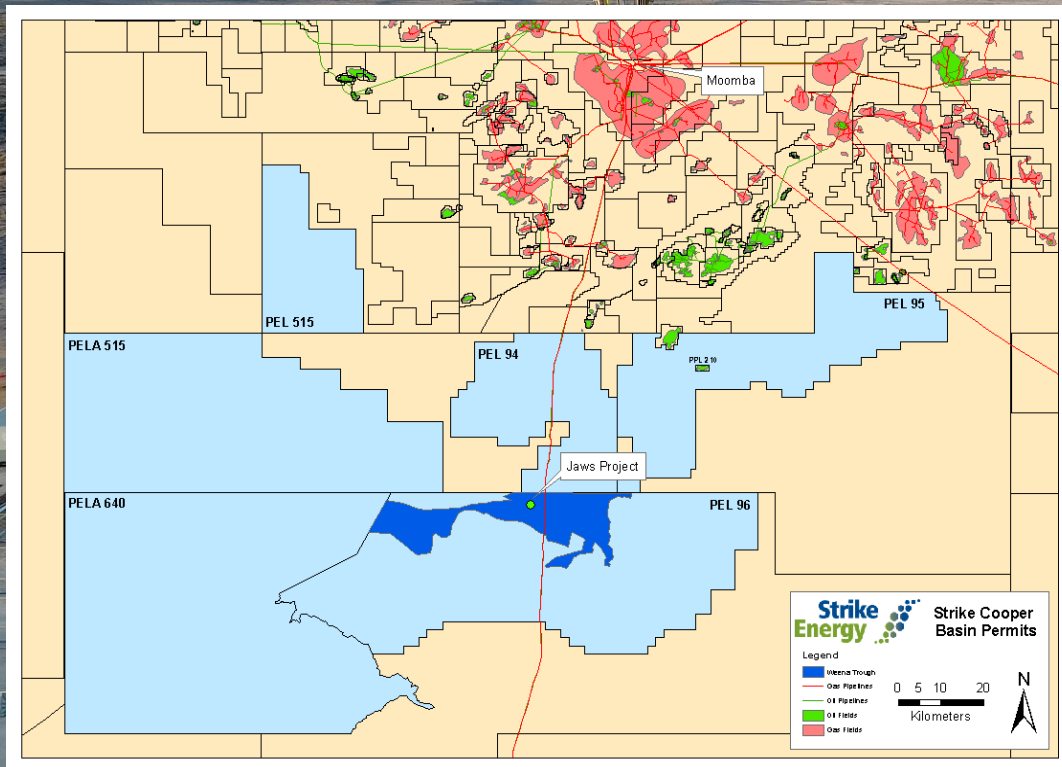
- Strike is looking to advance marketing for the farm-out or sale of its non-core assets.

Finance & Commercial Update

- Spend for the quarter on operations was \$3.4mIn and was centered around the piloting of Jaws and costs associated with the preparatory works including long lead procurement for West Erregulla-2.
- Expenditures at the SCBGP are being reviewed in order to accommodate the short delay in the piloting activities.
- Strike successfully raised gross proceeds of \$14mIn through a placement and SPP.
- The Company completed the quarter with \$11.5mIn cash on hand at 31st of December 2018.



Strike has a portfolio of high quality and potentially transformational gas projects capable of delivering material near term value



Board of Directors

John Poynton (Chair)

Jody Rowe

Andrew Seaton

Stuart Nicholls (MD)

Stephen Bizzell

Securities Exchange

ASX: STX

Market Capitalisation

\$112 million

19th Jan 2018

\$0.082 per share

Securities on Issue

Shares: 1,355,003,390

Options: 40,078,154

Performance Rights: 9,430,299

Top 30 Shareholders

39.9% ownership

Cash & Facilities

~\$11.5million as per the end of Q4/2018

Corporate / Registered Office

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Strike & UIL Combined Acreage Position¹



Permit	Basin	Lifecycle	Target	Operator (Parent)	STX Position	Gross Area (Acres)	Gross Area (km2)	STX Net Area (acres)	STX Net Area (km ²)
PEL 94	Cooper Basin	Exploration	Deep Coal Seam Gas	Beach	35%	222,963	902	78,037	316
PEL 95	Cooper Basin	Exploration	Deep Coal Seam Gas	Beach	50%	316,418	1,281	158,209	640
PEL 96 (Jaws)	Cooper Basin	Appraisal	Deep Coal Seam Gas	Strike	67%	668,098	2,704	444,953	1801
PELA640	Cooper Basin	Exploration	Deep Coal	Strike	100%	821,056	3,323	821,056	3323
PEL 515	Cooper Basin	Exploration	Shallow Oil	Strike	100%	750,483	3,037	750,483	3037
PPL210 (Aldinga)	Cooper Basin	Production	Shallow Oil	Beach	50%	988	4	494	2
EP447	Perth Basin	Exploration	Unconventional Gas	Strike	100%	201,391	815	201,391	815
EP447 (Walyering)	Perth Basin	Exploration	Shallow Oil	Pancontinental ²	100% ²	72,896	295	21,869	89
EP488	Perth Basin	Exploration	Unconventional Gas	Strike	100%	73,390	297	73,390	297
EP489	Perth Basin	Exploration	Unconventional Gas	Strike	100%	36,572	148	36,572	148
EP495	Perth Basin	Exploration	Conventional Gas	Strike	100%	73,637	298	73,637	298
EPA-82	Perth Basin	Exploration	Conventional Gas	Strike	100%	138,626	561	138,626	561
EPA-98	Perth Basin	Exploration	Conventional Gas	Strike	100%	18,533	75	18,533	75
EPA-99	Perth Basin	Exploration	Conventional Gas	Strike	100%	92,170	373	92,170	373
EP469 (West Erregulla)	Perth Basin	Exploration	Conventional Gas	Strike	50%	55,500	225	27,750	112
Total								2.94 mln	11,886

1. Sourced from GPIInfo (Sept 2018 Update). Areas derived from GPIInfo may vary slightly from title documents.

2. Transfer of operatorship of EP447 (Walyering) is subject to Pancontinental Oil and Gas NL (**Pancontinental**) exercising its farm-in right and completing the obligations as per the farm-in agreement. On satisfaction of the farm-in obligations, a 70% interest in Walyering will be transferred to Pancontinental

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")

31 December 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	(2,577)	(6,358)
(b) development	-	-
(c) production	-	-
(d) staff costs	(628)	(870)
(e) administration and corporate costs	(572)	(1,123)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	23
1.5 Interest and other costs of finance paid	(131)	(250)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (cost recoveries from JVs)	537	1,233
1.9 Net cash from / (used in) operating activities	(3,358)	(7,345)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(51)	(51)
(b) tenements (see item 10)	-	-
(c) investments	(65)	(65)
(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)	-	7
2.6	Net cash from / (used in) investing activities	(116)	(109)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	14,111	17,111
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	(971)	(1,091)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	13,140	16,020

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,860	2,972
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,358)	(7,345)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(116)	(109)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,140	16,020
4.5	Effect of movement in exchange rates on cash held	(8)	(20)
4.6	Cash and cash equivalents at end of period	11,518	11,518

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	5,713	1,308
5.2 Call deposits	5,000	-
5.3 Bank overdrafts	-	-
5.4 Other (share of JV bank accounts)	805	552
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,518	1,860

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	127
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
7,765	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

5,075

9.2 Development

-

9.3 Production

-

9.4 Staff costs

300

9.5 Administration and corporate costs

86

9.6 Other (provide details if material)

234

9.7 Total estimated cash outflows**5,695**

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	EP447 EP447 (Walyering) ¹ EP488 EP489 EP495 EPA-82 EPA-98 EPA-99	Interest in title Interest in application	0 0 0 0 0 0 0 0	100% 100% 100% 100% 100% 100% 100% 100%

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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:23 January 2019.....

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.