



Strike Energy Limited
Quarterly Report
Q2-2019

The Directors of Strike Energy Limited (ASX:STX, **Strike** or **the Company**) are pleased to provide the following report for the quarter ended 30th of June 2019.

Managing Director, Stuart Nicholls, comments:

“The second quarter of 2019 saw Strike begin the delivery of key operational objectives which will be core to the aspired transformation into a ‘mid-cap’ energy company. Preliminary results from our West Australian gas business look very encouraging, and the Cooper Basin continues to be a key area of focus and growth for the company. The second half of 2019 will be an exciting period in the company’s history. Strike’s results are being closely followed and we look forward to rewarding shareholders with material value growth in the coming months”

Highlights

Perth Basin

West Erregulla

- West Erregulla-2 (WE-2) spudded and has been drilled to the end of the second intermediate section at 4,229m.
- Strong oil and gas shows have been observed at key intervals that include the Lesueur, Woodada, Hovea and Wagina¹.
- Wireline logging of the key formations is underway with results to be released imminently.
- Strike will drill ahead to the primary Kingia-High Cliff target.

Cooper Basin

Jaws Appraisal Project

- Gas production has been sustained during the period.
- Water production has declined to less than 400 bbls per day.
- Bottom hole pressures of ~250 psi are being maintained to maximise the drainage area.

Corporate & Commercial

- Granted an option, for \$5 million, to CSBP Limited to buy up to 100 PJ of gas contingent on a successful result at WE-2 and FID on a commercial project.
- Raised \$12 million before costs via the placement of ~184 million shares at \$0.065 per share.
- Repaid CBA R&D debt facility in full.
- Reached an in-principle agreement with the ATO on payment plan for any FY16 R&D tax liability should that arise as a result of either the ISA’s finding or the ultimate finding following appeal to the AAT.

¹ Refer Strike’s ASX announcements on 24 and 29 July 2019.

Perth Basin - West Erregulla ('WE')

Strike 50% and operator, Warrego Energy 50%

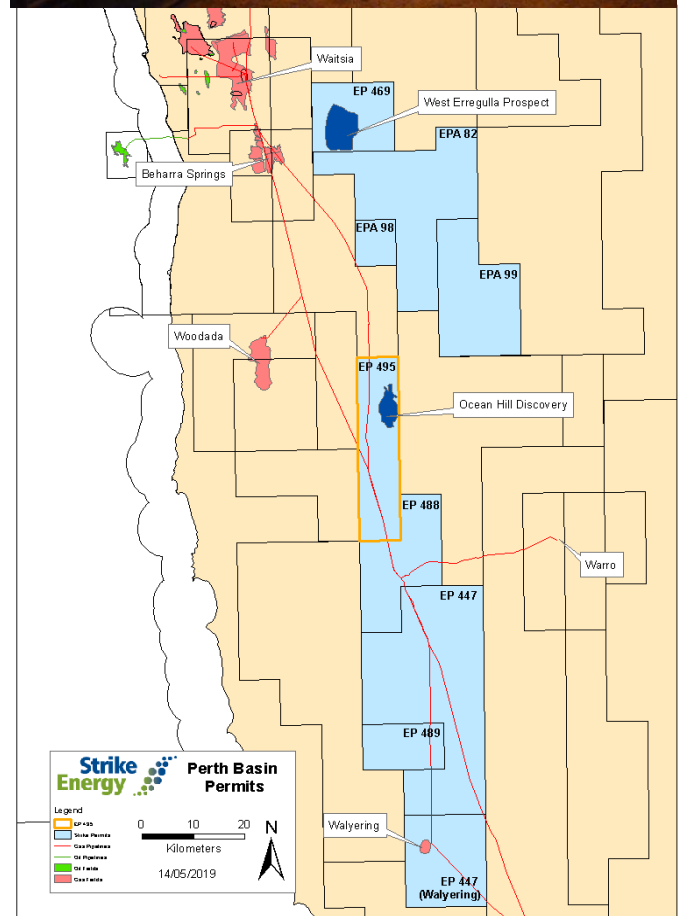
West Erregulla-2 is being drilled in EP 469 which is adjacent to and targeting analogous Permian gas sands of a similar size and nature as the Waitsia gas discovery. The well was spudded in the quarter and will be drilled to a planned total depth of 5,200m, which is expected to be reached in late August.

The primary target in the Kingia-High Cliff sands carries a 69% chance of success that a commercially developable hydrocarbon accumulation will be present². Due to this high confidence in the primary Kingia-High Cliff target, Strike will complete WE-2 as a future production well. Currently Strike is logging the second intermediate section down to 4,229m. Based on drilling observations, Strike is particularly interested in results from the following formations (in relative depth): Lesueur (oil & gas shows); Woodada Siltstones (oil & gas shows); Hovea Sandstone /Limestone (gas); and the Wagina Sandstone (gas).

Perth Basin - Other

Strike acquired EP447 as part of the UIL Energy acquisition in 2018, which included a farm-out agreement of the Walyering gas discovery to Pancontinental Oil and Gas NL (Pancontinental), as announced by UIL Energy Ltd on 7 November 2016. The terms of the farm-out included a free carry for the preparation, acquisition, processing and interpretation of the proposed Walyering farm-in 3D seismic survey. The farm-in would have resulted in Strike retaining a 30% working interest as non-operator.

The farm-in to Walyering within EP447 was terminated due to a failure by Pancontinental to



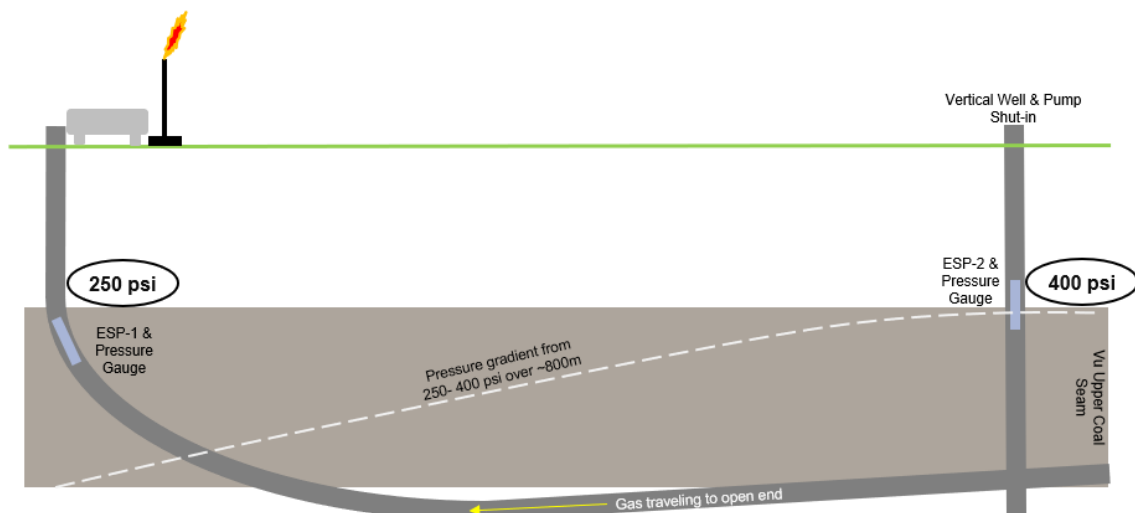
² Refer Strike's ASX Announcement dated 5 March 2019.

satisfy the farmin preconditions within the stipulated timeframes. Strike intends to complete the seismic campaign given the Company's advanced geological interpretations of the Perth Basin geology and competence as an exploration operator. Strike is excited by the improved prospectivity of the Cattamarra formation that has resulted from work at both West Erregulla and Ocean Hill. With 100% equity in EP447 (Walyering), advanced geological understanding of the Cattamarra and the new results of the Cattamarra intersection at West Erregulla, Strike now has the opportunity to farm out the permit pre or post the seismic campaign.

Strike has also begun marketing of a farm-out opportunity at its Ocean Hill gas discovery in EP 495.

Jaws Appraisal Project - Southern Cooper Basin

The Jaws-1 project wells are located at the Southern Cooper Basin Gas Project (**SCBGP**) in PEL96 (Strike Operator and 66.67%, Energy World Corporation 33.33%). Pilot operations have continued during the quarter where both water and gas production have been in line with expectations. During the quarter, bottom hole pressure has been maintained at 250 psi, allowing propagation of the pressure front to extend out from the wellbore without compromising the coal integrity. Water rates have declined to less than 400 bbls per day with continuous gas production as more reservoir continues to transition to desorption.

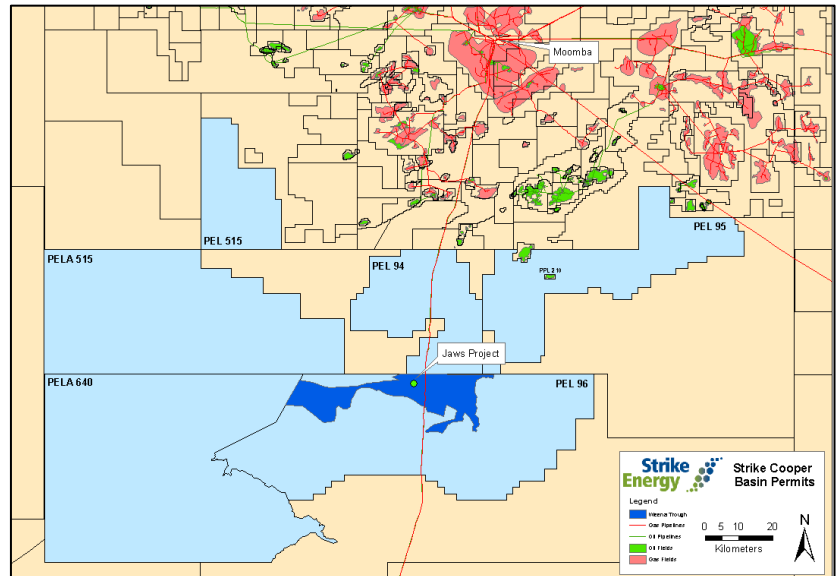


Strike is looking to bring the broader reservoir (as measured at each pump inlet) down to 250psi before continuing the drawdown and initiating critical desorption across the formation

To maintain the effective 'minimum work' required by the pumping systems, ESP-2 was switched off in the vertical well and ESP-1 is now doing all of the dewatering. The pressure gauge in the vertical well provides an indication of the effective reservoir depressurisation from the coals adjacent to either end of the wellbore. This demonstrates that more water is required to be removed to depressure the reservoir.

A simplified visualisation can be seen on the previous page that shows the pressure differential is over 150psi across the ~800m of wellbore between the operational ESP-1 and the pressure gauge in ESP-2.

Once the pressure at the vertical well gauge approaches the 250psi being maintained at the inlet to ESP-1, this will indicate the pressure decrease has propagated beyond the length of the wellbore. Strike will then continue to bring more of the reservoir into its critical desorption phase to target increased gas production.



Corporate – Commercial

West Erregulla Gas Offtake Option

Strike executed a contingent Gas Sales Option Agreement with CSBP Limited, a significant Western Australian industrial gas user (**CSBP**), pursuant to which Strike has granted CSBP the option to take up to 100 PJ of gas (Strike share) produced from West Erregulla in exchange for a \$5 million option fee, paid to Strike on 30 May 2019. The key terms of the Gas Sales Option Agreement were set out in Strike’s ASX announcement released on 29 May 2019

Southern Cooper Basin Gas Project - Research & Development (R&D)

As announced on 4 June 2019, Strike and the Australian Tax Office (**ATO**) reached an in-principle agreement on a suitable payment plan for any FY16 R&D tax liability that may arise as a result of the ultimate finding of Innovation Science Australia (**ISA**) on Strike’s FY16 R&D claim following appeal to the Administrative Appeals Tribunal (**AAT**).

Strike estimates that it may take greater than 18 months to reach a conclusion (positively or negatively) at the AAT and longer if the matter then proceeds to the Federal Court (on a negative decision). The disputes are in relation to the FY16 R&D claim against Strike for \$6.3 million and the FY18 R&D claim against the ATO for payment of \$6.8 million to Strike, details of which were announced to ASX on 23 April 2019 and 21 May 2019 respectively.

On 25 July 2019, the Full Federal Court allowed Moreton Resources’ appeal against the AAT’s decision in September 2018 that R&D activities registered by Moreton Resources Limited were not R&D activities in accordance with the legislation. The Federal Court set aside the AAT’s decision noting that, in the Federal Court’s view, the AAT erred in its construction of the definition of “core R&D activities” contained in the Income Tax Assessment Act 1997 (Cth). Strike views this as a positive development and is currently working

with its advisors and counsel in respect to how the Moreton decision further impacts Strike's AAT proceedings.

Commonwealth Bank R&D Facility

Strike paid out the CBA the \$5.3 million R&D debt facility. Consequently, any potential R&D tax credit to which Strike is entitled as a result of the AAT findings will be returned to Strike in full.

Corporate – Financial

Strike ended the quarter with \$11.3 million of cash on hand. The WE-2 drilling program is well advanced and Strike's obligation to carry Warrego for its share of the cost of the program has been satisfied with all forward expenditure now on a 50:50 cost/equity basis. During the quarter expenditure for the quarter was centred around the delivery of the West Erregulla-2 well program and the continued piloting of the Jaws appraisal wells.

Petroleum Tenements Held at the End of the Quarter

Permit	Basin	Operator (parent)	STX Interest	Gross Area (acres)	STX Net Area (acres)
PEL 94	Cooper Basin	Beach	35%	222,963	78,037
PEL 95	Cooper Basin	Beach	50%	316,418	158,209
PEL 96 (Jaws)	Cooper Basin	Strike	67%	668,098	444,953
PELA640	Cooper Basin	Strike	100%	821,056	821,056
PEL 515	Cooper Basin	Strike	100%	750,483	750,483
PPL210 (Aldinga)	Cooper Basin	Beach	50%	988	494
EP447	Perth Basin	Strike	100%	201,391	201,391
EP447 (Walyering)	Perth Basin	Strike	100%	72,896	21,869
EP488	Perth Basin	Strike	100%	73,390	73,390
EP489	Perth Basin	Strike	100%	36,572	36,572
EP495	Perth Basin	Strike	100%	73,637	73,637
EPA-82	Perth Basin	Strike	100%	138,626	138,626
EPA-98	Perth Basin	Strike	100%	18,533	18,533
EPA-99	Perth Basin	Strike	100%	92,170	92,170
EP469 (West Erregulla)	Perth Basin	Strike	50%	55,500	27,750

ENDS

Quarterly Report Q2/19



31st July 2019

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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 2019

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	(5,915)	(15,612)
(b) development	-	-
(c) production	-	-
(d) staff costs	(241)	(877)
(e) administration and corporate costs	(713)	(1,731)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	82
1.5 Interest and other costs of finance paid	(122)	(496)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (cost recoveries from JVs)	276	1,099
1.9 Net cash from / (used in) operating activities	(6,697)	(17,535)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(98)	(149)
(b) tenements (see item 10)	-	-
(c) investments	-	(860)
(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)	106	117
2.6	Net cash from / (used in) investing activities	8	(892)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	11,700	28,811
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	(621)	(1,723)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(5,265)	(5,265)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	5,000	5,000
3.10	Net cash from / (used in) financing activities	10,814	26,823

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,237	2,972
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,697)	(17,535)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	8	(892)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,814	26,823
4.5	Effect of movement in exchange rates on cash held	(1)	(7)
4.6	Cash and cash equivalents at end of period	11,361	11,361

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	10,700	7,184
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (share of JV bank accounts)	661	53
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,361	7,237

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	76
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	

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	2,500	2,500
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	5.80%	Unsecured – convertible note	A\$2,500,000

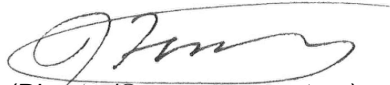
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	7,205
9.2 Development	-
9.3 Production	-
9.4 Staff costs	200
9.5 Administration and corporate costs	100
9.6 Other (repayment of borrowings)	
9.7 Total estimated cash outflows	7,505

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:


(Director/Company secretary)

Date: 31 July 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.