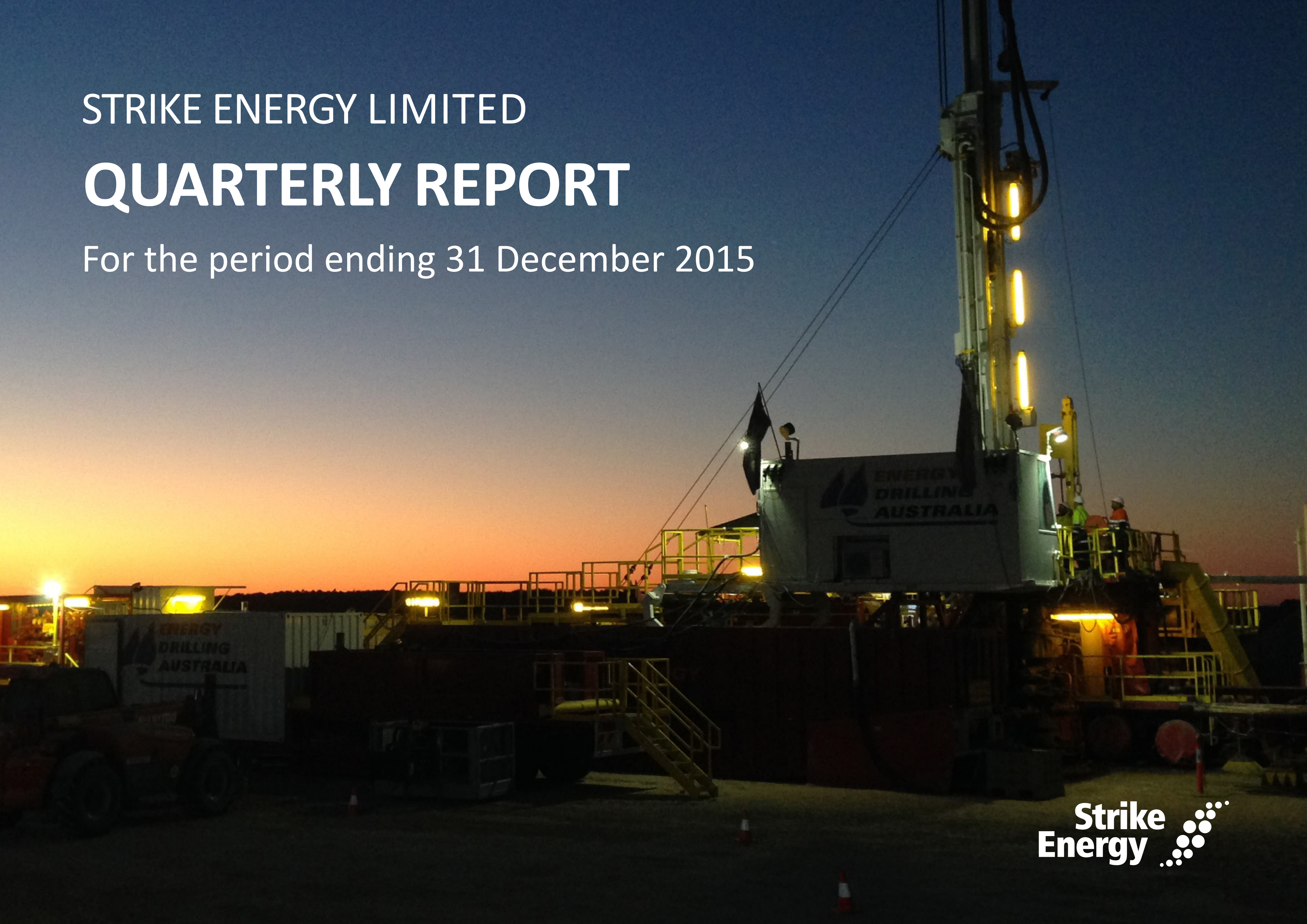
STRIKE ENERGY LIMITED

# QUARTERLY REPORT

For the period ending 31 December 2015




Strike Energy

# September Quarter Performance Summary

| | Key Achievements |
| --- | --- |
| Australia | |
| Southern Cooper Basin Gas Project | ✓ Record gas flow rates<br>✓ Key reservior parameters point to highly commercial well productivity<br>✓ Klebb pilot accessing a larger reservoir volume than expected – potential for increased well recoveries<br>✓ Low cost pump capacity increase underway |
| Strong Funding and Commercial Position | ✓ Cash on hand of $6.4 million at the end of the quarter – fully funded to meet forward program<br>✓ Scoping and preliminary design confirms that development of an independent, low cost modular gas processing and compression facility in PEL 96 (Demonstration Facility) is technically and commercially feasible<br>✓ In principal agreement to collaborate on the development, funding and operation of the Demonstration Facility with a leading midstream gas infrastructure owner and operator<br>✓ Progressed discussions for the sale of gas produced by the Demonstration Facility with significant market interest to contract further gas on a full production basis |

# Managing Director's Comments

**I am pleased to report on another active quarter for Strike. During the quarter we focused on the Phase 3 extended flow test program, with excellent progress resulting in record gas flow rates from the Klebb pilot by quarter end.**

At this stage, it is worth recapping on our progress to date and how we are tracking towards our objective of commercialising the Southern Cooper Basin Gas Project. The data we have now obtained from the extended testing of the Klebb wells is building a very exciting picture of the reservoir.

Firstly, the Klebb pilot is reducing the average reservoir pressure over a much larger than expected area around the wells. We are very pleased with this result which we expect will lead to the potential for increased ultimate gas recoveries per well.

Secondly, gas flow rates increase sharply following incremental increases in water production above a threshold reservoir inflow rate. Assessment of the test data indicates that the increase in gas production is sourced from a limited volume of coal very close to individual well bores.

**The gas flows being generated by relatively small coal volumes around the wells, when extrapolated to the large reservoir volumes the wells are actually seeing, indicates that the full productive potential of the wells is well above threshold commercial rates.**

With these key reservoir performance parameters pointing towards a highly commercial outcome, our focus is on accelerating field activities to demonstrate the full potential of the reservoir. As gas rates have built, we are reaching the limits of our existing pump capacity and planning for a low cost upgrade of pump capacity has been completed with work currently underway and scheduled to be completed and commissioned in March. This upgrade will enable increased water production rates to be maintained as gas rates build.

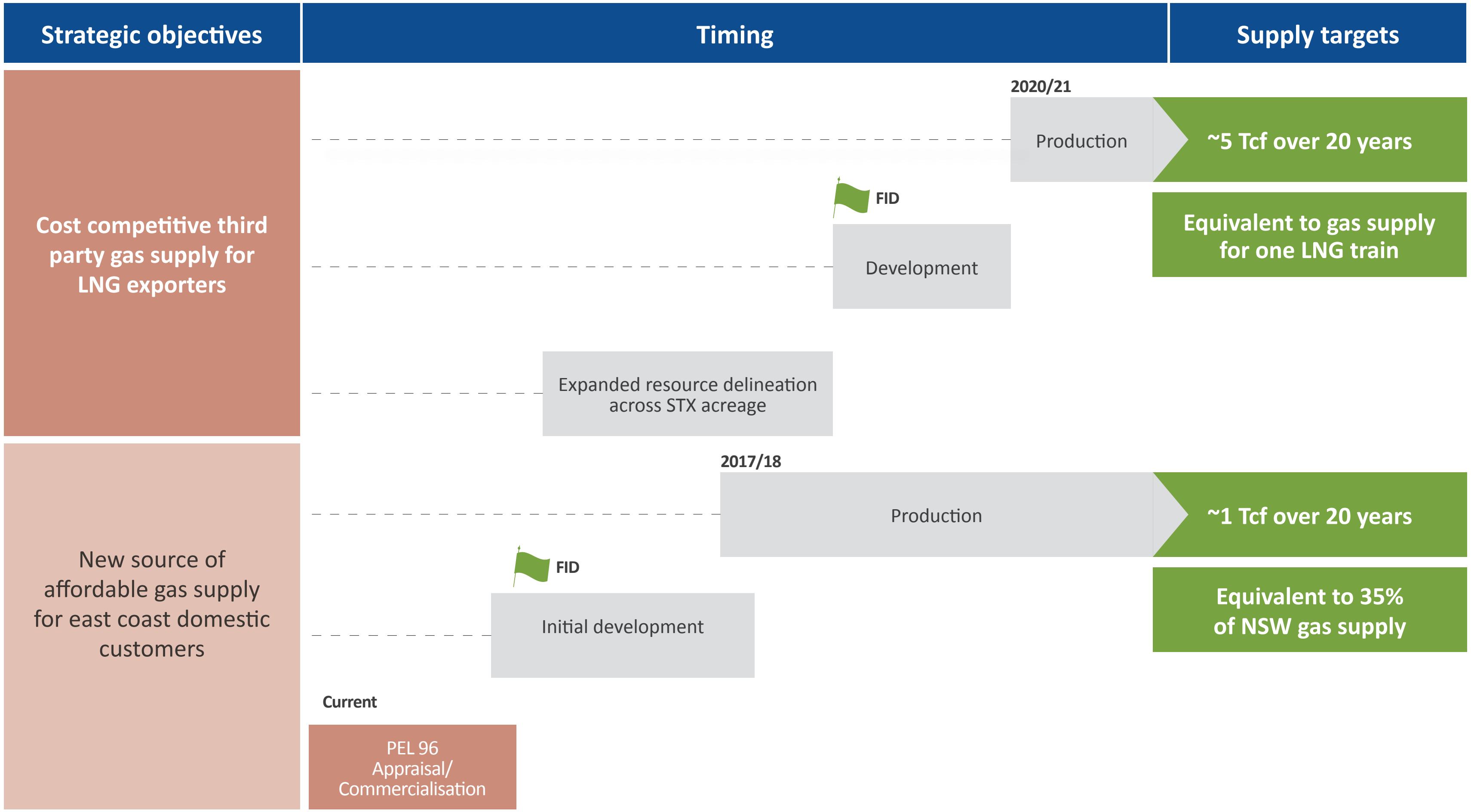
The scoping and preliminary design phase for the Demonstration Facility was also successfully completed confirming that construction and operation of an independent, low cost gas processing facility in PEL 96 is technically and commercially feasible. Discussions with a leading midstream gas infrastructure owner and operator regarding the development, funding and operation of the Demonstration Facility were also progressed with finalisation of these discussions anticipated in the near term.

The Company has also progressed discussions for the sale of gas from the Demonstration Facility with strong interest from customers in the South Australian gas market, where gas prices have been steadily increasing.

During January a new well, Klebb 4, was drilled to support the next phase of development of the project. The drilling program was successfully completed and established a materially lower well cost benchmark for the project. Once completed and tied in, the well will accelerate progression to production growth from the Klebb pilot.

**The excellent progress we are making, set against a domestic market characterised by low service costs and strengthening gas prices, provides the ideal platform and timing to accelerate development activities through 2016. Strike's strategic 'domestic' objective to develop a project with the potential to provide substantial new supply for east coast customers is rapidly gaining industry support and momentum.**

# Southern Cooper Basin Gas Project: Strike's Strategic Objectives




**Strike is positioning the Southern Cooper Gas Project as a long-life resource for domestic and export gas supply.**

# Strikes Southern Cooper Basin Gas Project: Value Drivers

| GAS RESOURCE | GAS MARKET | GAS PROCESSING & TRANSPORTATION | LOW SUPPLY COST |
|---|---|---|---|
| PEL 96 prospective resource 4.5 Tcf (net STX) | Domestic offtake secured<br><br>LNG export market for competitive gas supply | Direct connection to Eastern Australian gas markets<br><br>Midstream gas infrastructure | STX full lifecycle cost <$4.50/GJ |
| ☑ | ☑ | ☑ | Well costs ☑<br><br>EUR testing in progress |

**Strike's PEL 96 resource is emerging as a compelling project with the value drivers in place to deliver a strong outcome for shareholders.**

**Klebb pilot highlights**

- **Record gas flow rates achieved during the quarter**
- **Field measurements confirm that the Klebb pilot is accessing a very large reservoir volume with only a very limited volume of coal below desorption pressure**
- **Klebb 1 workover completed and stable pump operation established**
- **Very high facility availability for jet pump and beam pump operations with improved operating and maintenance procedures**

Good progress has been made at the Klebb pilot during the quarter with record gas rates being recorded and water flows 50% higher than the previous quarter. This improved performance was a direct result of the fracture stimulation and recompletion of the Klebb 2 and Klebb 3 wells, combined with very high facility availability resulting from improved operating and maintenance procedures and the relocation of the Le Chiffre surface pump to Klebb.

Data gathered during the shut-in of Klebb 1 in October confirmed that the average reservoir pressure continues to be reduced and that the pilot as a whole is accessing a larger than expected volume. The workover of Klebb 1 was successfully completed with the well returned to service in November and performance now stabilised and much improved.

As a result of the reservoir pressure reduction to date and improved performance of Klebb 2 and Klebb 3, very encouraging and significant improvements in gas flows have been recorded when water production is maintained above a rate of between 400 – 450 bwpd at each of Klebb 2 and 3.

The sharp increases in gas rate achieved when water rates are maintained above this threshold rate result from more coal reaching the critical desorption pressure.

This threshold rate is equivalent to the formation inflow rate for current reservoir conditions. Water production above the formation inflow rate expands the low pressure zone around the well while production at or below the inflow rate results in a static or shrinking low pressure zone with gas production tending to stabilise.

Testing results show flow rates as low as 15 - 20 bwpd above the threshold inflow rate are sufficient to generate sharp increases in gas rate – implying that the additional gas quantities are still being sourced from very small volumes of coal moving below the desorption pressure.

**The small reservoir volumes from which gas is currently being desorbed provides tangible evidence that ongoing testing will yield commercial gas rates as we increase the portion of the Klebb reservoir volume that is producing gas.**

While the existing Klebb pilot pump infrastructure is able to establish water flow rates above the threshold rate, water production starts declining as gas rates increase due to reduced pump efficiency caused by “cavitation” effects in the downhole jet pump configuration. As a result, after creating and initiating an incremental expansion of the low pressure zone, increased gas production impacts pump efficiency and the low pressure zone and gas rates stabilise.

Ongoing improvements in pump configuration and operating procedures are proving effective in maintaining water producing rates for longer periods as gas rates increase.

# Southern Cooper Basin Gas Project: Project Status

**Klebb Facility Pump Upgrade**

In order to increase and maintain water rates above the threshold inflow rate and further build gas rates, an additional surface pump with a higher pressure capacity will be installed in the March quarter. This new pump will:

- Enable the installation of a revised downhole jet pump configuration in Klebb 2 and Klebb 3 with reduced sensitivity to cavitation and allow higher water rates to be realised and maintained as gas rates build.
- Allow stable water rates to be maintained if jet pump efficiency drops by increasing surface pump pressure.

**Klebb 4**

Following quarter end, the Klebb 4 well was drilled to a total depth of 2,188m and cased with 5-1/2" casing. Klebb 4 is a pre-development well which was directionally drilled and cased with larger 5.5" casing to facilitate increased water and gas production capacity.

The drilling program was completed without any material safety or environmental incidents and within budget. The objective of the Klebb 4 well is to validate development plan assumptions relating to drilling and completions by:

- Successfully drilling a deviated well.
- Establish a lower well cost structure by drilling and completing a "development" type well by trialling the use of real time logging equipment in a directional well to eliminate conventional logs.
- Establishing lower drilling and completion cost benchmarks for the project
- Performing a large fracture stimulation of the Vu Upper zone and installing a larger downhole jet-pump completion than previously utilised.

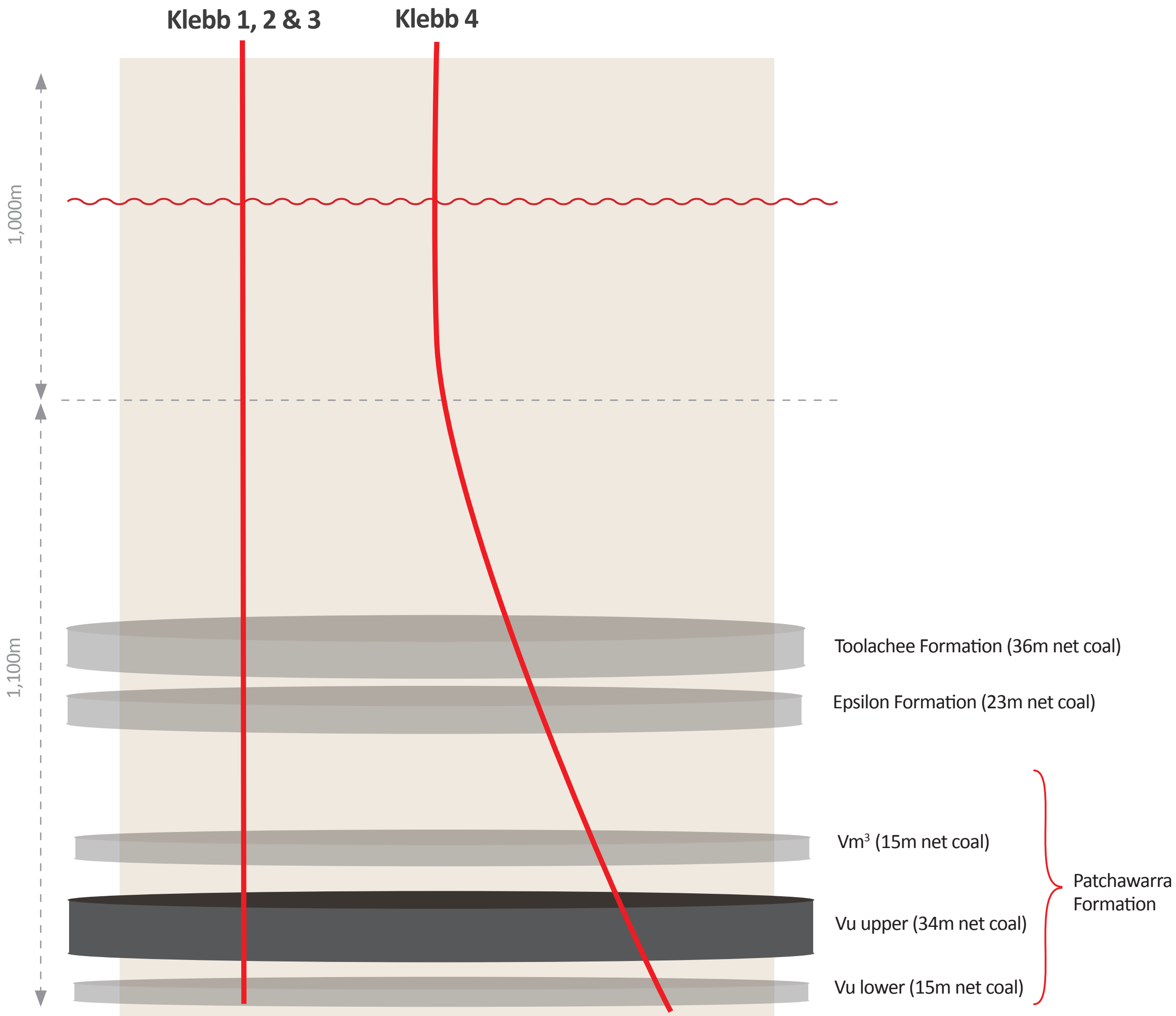
The bottom hole location of Klebb 4 is approximately 300m SE of the midpoint between the Klebb 1 and Klebb 3 wells. The directional program has validated the multi-well pad design on which the field development concept is based.

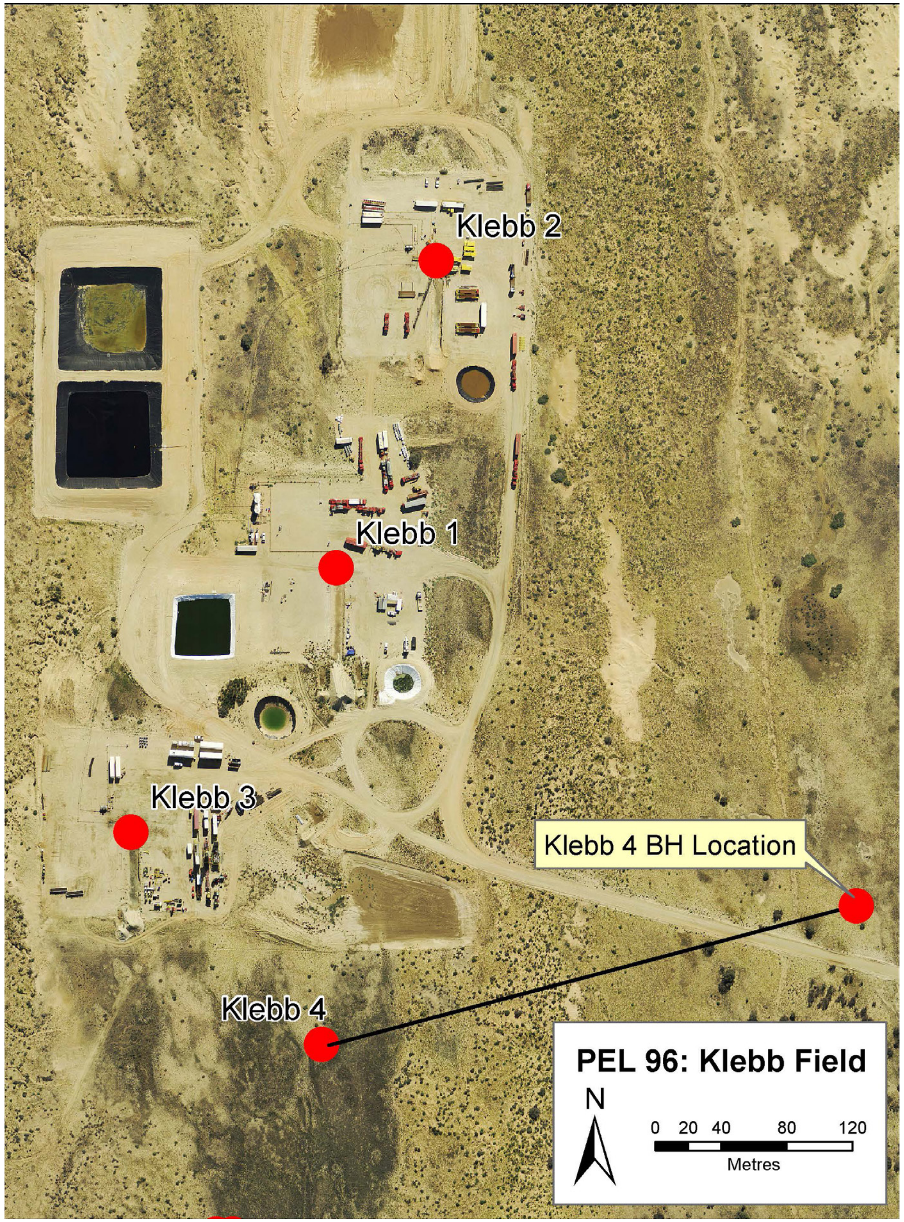
**Importantly, Klebb 4 is the lowest cost well which Strike has drilled to date, with cost reductions realised through improved well design, drilling performance and lower drilling and service costs.**

A large fracture stimulation is planned for Klebb 4, following which the well will be tied into existing infrastructure. Once tie-in is complete, Klebb 4 will contribute to the ongoing testing activities at Klebb by accelerating the growth of the existing low pressure zone at Klebb and provide increased well redundancy across the pilot.

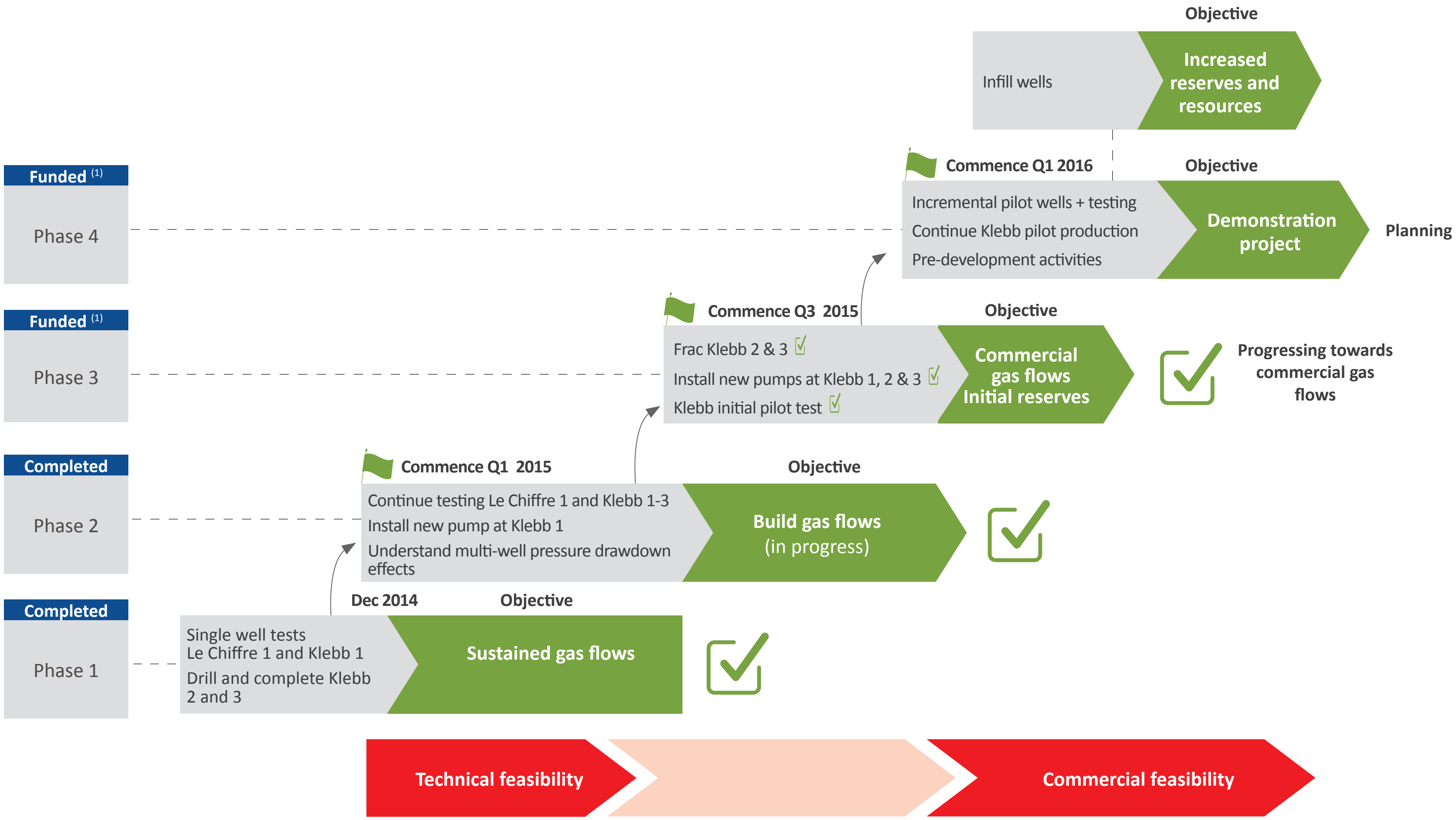
The cost of the completion work is forecast to be well below previous programs and will lead to a material reduction in full field drilling and completion cost estimates.

# Southern Cooper Basin Gas Project: Klebb 4



# Southern Cooper Basin Gas Project: PEL 96 Commercialisation Strategy




(1) Funded from existing cash resources

**A disciplined, capital efficient and funded appraisal program is being followed to establish commerciality**

# US Operations: Production and Operations Update

## US Exploration and Evaluation Activities

The Company continues to hold its interests in the Permian Basin, Eagle Ford Shale and Eagle Landing Joint Ventures with no exploration and/or field development activities occurring during the quarter.

The Company has no plans for further investment into these projects in the near term.

## US Production

Strike currently produces oil and gas from three independent assets. Total oil production for the quarter was 3,058 bbls down 18% on the prior quarter and gas production was 66,937 Mcf down 4% on the prior quarter.

The Eagle Landing Joint Venture (Strike 40% WI) produced 63,790 Mcf of gas and 1,209 bbls of oil net to Strike during the quarter, down 3% for gas and down 1% for oil on the previous quarter. The decrease in production for the quarter is a result of the well's natural production decline.

The MB Clearfork Project (Strike 25% WI) produces oil from 20 conventional Permian Basin wells in Martin County, Texas. During the quarter, the MB Clearfork Project produced 2,683 Mcf of gas and 1,254 bbls of oil net to Strike, down 23% for gas and down 33% for oil from the previous quarter. The decrease in gas production for the quarter is due to issues experienced with certain salt water injection wells, which continued to be monitored.

The Eagle Ford shale project (Strike 27.5% WI) produces oil and gas from the Bigham 1H well in Fayette County, Texas. The well produced 465 Mcf of gas and 596 bbls of oil net to Strike during the quarter, down 13% for gas and down 8% for oil on the previous quarter. The decrease in gas production for the quarter is as a result of minor compressor problems and well mainenance during the quarter.

Average realised prices during the quarter were US$40.87/Bbl, down 11% from US$46.17/Bbl in the previous quarter for oil and US$2.24/Mcf, down 17% from US$2.70/Mcf for gas in the previous quarter.

| | DEC QTR 2015 | SEP QTR 2015 | QUARTERLY CHANGE |
|---|---|---|---|
| **EAGLE LANDING JOINT VENTURE** | | | |
| Gas (Mcf) | 63,790 | 65,598 | (3%) |
| Oil (Bbl) | 1,209 | 1,218 | (1%) |
| Total Revenue (USD'000) | 190 | 232 | (18%) |
| **PERMIAN BASIN – MB CLEARFORK PROJECT** | | | |
| Gas (Mcf) | 2,683 | 3,485 | (23%) |
| Oil (Bbl) | 1,254 | 1,860 | (33%) |
| Total Revenue (USD'000) | 61 | 99 | (38%) |
| **EAGLE FORD SHALE – BIGHAM 1H** | | | |
| Gas (Mcf) | 465 | 537 | (13%) |
| Oil (Bbl) | 596 | 647 | (8%) |
| Total Revenue (USD'000) | 24 | 29 | (17%) |
| **TOTAL** | | | |
| Gas (Mcf) | 66,937 | 69,620 | (4%) |
| Oil (Bbl) | 3,058 | 3,725 | (18%) |
| Total Revenue (USD'000) | 275 | 360 | (24%) |
| Total Revenue (AUD'000) | 382 | 496 | (23%) |

Based on industry convention energy equivalence 6 Mcf of gas = 1 Bbl of oil

# Finance, Commercial and Corporate Update


**Corporate Office**

120B Underwood Street
Paddington NSW 2021

T: +61 2 9397 1420
E: strike@strikeenergy.com.au
W: www.strikeenergy.com.au

**Registered Office**

120B Underwood Street
Paddington NSW 2021
T: +61 2 9397 1420


**Securities Exchange**

ASX : STX

**Securities on Issue**

Shares: 833,330,946
Options: 11,200,000
Performance Rights: 28,950,000

**Analyst Coverage**

| Firm | Analyst |
|---|---|
| Red Leaf Securities | Andrew Williams |
| Ord Minnett | John Young |
| Euroz | Michael Skinner |
| Bell Potter | Peter Arden |

**During the December quarter, the Company continued to advance a number of its financial and commercial initiatives in support of the appraisal and accelerated development and commercialisation of the SCBGP.**

Key highlights include:

- Planning continued for a demonstration scale, modular gas processing facility (Demonstration Facility) to process, compress and deliver sales gas produced from the multi-well testing program within PEL 96 into the Moomba to Adelaide pipeline. A scoping and preliminary design phase for the Demonstration Facility was successfully completed confirming that construction and operation of an independent, low cost gas processing facility in PEL 96 is technically and commercially feasible.

- Two leading engineering contractors have now been invited to independently develop their engineering design and cost proposals for the Demonstration Facility. It is expected that this work will be completed in the June 2016 quarter with the award of an EPC contract to the preferred engineering contractor. The objective of this Demonstration Facility is to validate the technical and commercial feasibility of a new standalone in-field gas processing and compression system. The Facility is being designed so that it can be rapidly and cost effectively scaled up to support future production growth from the Southern Cooper Basin Gas Project.

- In parallel with these engineering and design activities, the Company has agreed a Memorandum of Understanding (MOU) to collaborate on the development, funding and operation of the Demonstration Facility with a leading midstream gas infrastructure owner and operator. This innovative and collaborative approach will allow Strike to focus its' capital and expertise on the acceleration of production and reserves growth while allowing the partner to use their substantial asset management, operational and financial capabilities to develop a new midstream gas infrastructure asset. Once executed, the MOU will provide the parties with a framework to negotiate the underlying operational, commercial and funding arrangements to support this initiative.

- The Company has also progressed discussions for the sale of processed gas on an interruptible basis from the Demonstration Facility.

- The Company expects to formally announce the finalisation of both of these commercial initiatives over coming weeks.

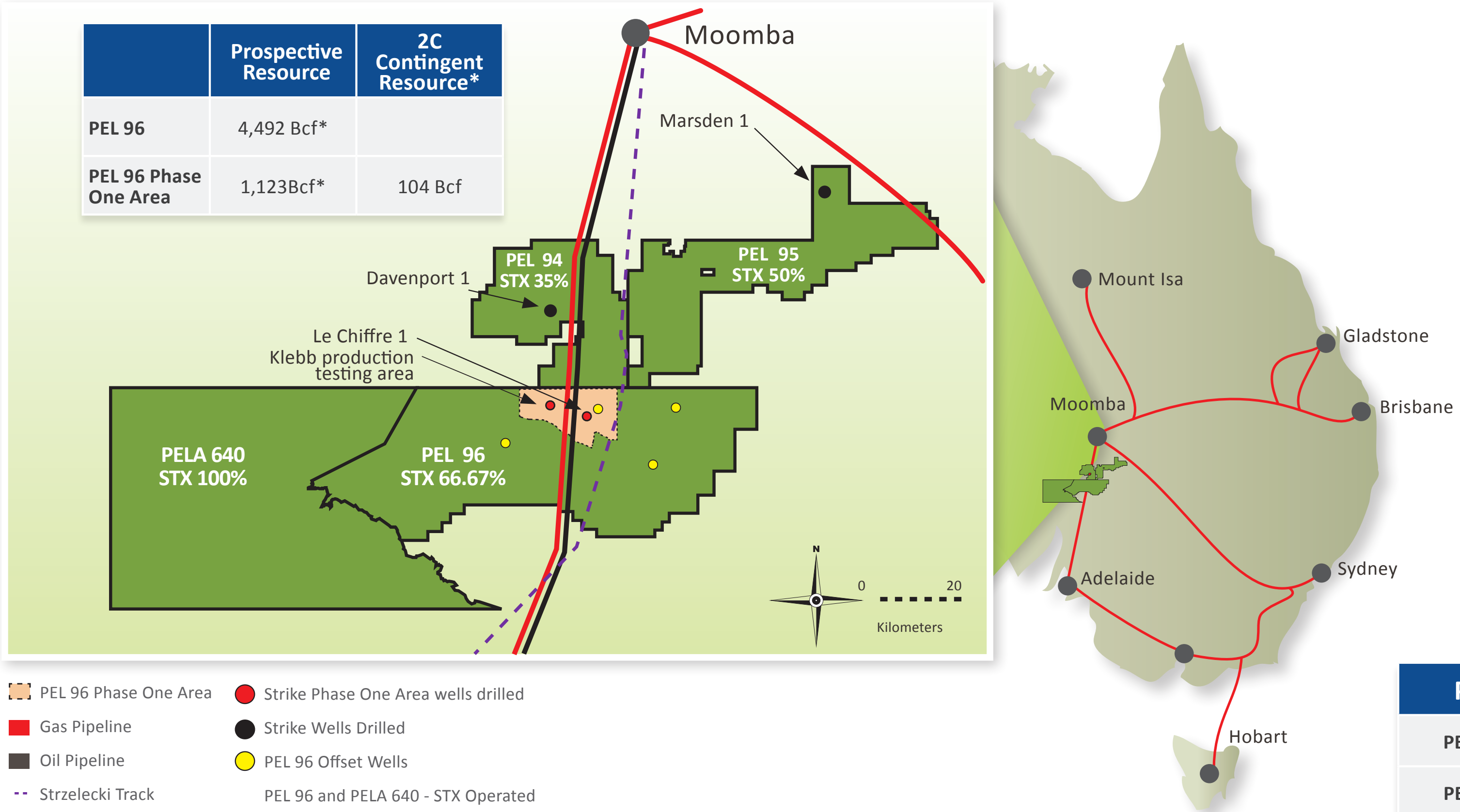
- Following the execution of the amendment to the Macquarie R&D Facility (as announced in the September 2015 quarterly update) an additional $1.1 million was drawn down during the quarter based upon the Company's anticipated eligible R&D expenditure for the 2016 financial year.

The MOU initiative, the level of interest from major domestic South Australian and east coast gas consumers to buy gas from the Demonstration Facility and to secure longer term gas supplies from an independent producer, such as Strike, reinforce the commercial potential of the SCBGP in the domestic gas market – a market that has been permanently changed by the commencement of LNG exports from Gladstone.

**The Company completed the quarter with $6.4 million cash on hand and is well placed to continue its' field operations and next stage design activities for the Demonstration Facility.**

# Strike's Southern Cooper Basin Gas Project: Gas resource

| | Prospective Resource | 2C Contingent Resource* |
|---|---|---|
| **PEL 96** | 4,492 Bcf* | |
| **PEL 96 Phase One Area** | 1,123Bcf* | 104 Bcf |




* Mean estimate (net to Strike determined on a probalistic basis) per ASX announcement dated 19 Feb 2014 and adjusted for announced contingent resource estimate per ASX announcement dated 27 April 2015.

** The estimated quantities of petroleum that may potentially be recovered by the application of a future development project 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 movable hydrocarbons.

| PEL | Net STX Acres |
|---|---|
| PEL 94 | 77,925 |
| PEL 95 | 160,248 |
| PEL 96 | 443,880 |
| PELA 640 | 850,786 |
| **Total** | **1,532,839** |

**Strike has an ideally positioned long-life multi-Tcf resource directly connected to the ~40 Tcf Eastern Australian gas market**

# Important Notice

This presentation does not constitute an offer, invitation or recommendation to subscribe for, or purchase any security and neither this presentation nor anything contained in it shall form the basis of any contract or commitment.

Reliance should not be placed on the information or opinions contained in this presentation. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Any decision to purchase or subscribe for any shares in Strike Energy Limited should only be made after making independent enquiries and seeking appropriate financial advice.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, Strike Energy Limited and its affiliates and related bodies corporate, and their respective officers, directors, employees and agents disclaim liability (including without limitation, any liability arising from fault or negligence) for any loss arising from any use of or reliance on this presentation or its contents or otherwise arising in connection with it.

Statements contained in this presentation, including but not limited to those regarding the possible or assumed future costs, performance, dividends, returns, production levels or rates, oil and gas prices, reserves, potential growth of Strike Energy Limited, industry growth or other projections and any estimated company earnings are or may be forward looking statements.

Such statements relate to future events and expectations and as such involve known and unknown risk and uncertainties, many of which are outside the control of Strike Energy Limited. Actual results, actions and developments may differ materially from those expressed or implied by the statements in this presentation.

Subject to any continuing obligations under applicable law and the Listing Rules of ASX Limited, Strike Energy Limited does not undertake any obligation to publicly update or revise any of the forward looking statements in this presentation or any changes in events, conditions or circumstances on which any such statement is based.

**Contingent Resource Estimate**

DeGolyer and MacNaughton was engaged by Strike to undertake an Independent Review of the gas resource in PEL 96 based on the data and information acquired to date by Strike from the drilling and flow testing programs carried out at the Le Chiffre 1 and Klebb 1, Klebb 2 and Klebb 3 wells.

DeGolyer and MacNaughton has estimated a contingent gas resource on a probalistic basis for the initial zones that have been flow tested within the Le Chiffre 1 and Klebb 1 wells. As these zones only represent a portion of the net coal encountered at these locations, successful flow testing of additional zones will enable an increased contingent resource to be booked.

The table below summarises the Contingent Resource Estimates.

| | Contingent Gas Resource Estimates - PEL 96[1] | | |
|---|---|---|---|
| Well | 1C[2] | 2C[2] | 3C[2] |
| Productive area (acres) | 2,171 | 2,938 | 3,931 |
| Le Chiffre 1 - Patchawarra Vu Upper and Vu Lower zones (bcf) | 62.9 | 93.2 | 132.4 |
| Klebb 1 - Patchawarra Vu Upper zone 9 (bcf) | 42.1 | 62.2 | 93.3 |
| Total Gross Contingent Resource (bcf) | 105.00 | 155.4 | 225.7 |

1. Contingent Resource Estimates have been prepared in accordance with the Petroleum Resources Management System “PRMS”. Contingent Resource Estimates are those quantities of gas (produced gas less carbon dioxide and fuel gas) that are recoverable from known accumulations but which are not yet considered commercially recoverable.

2. 1C, 2C and 3C estimates in this table are P90, P50 and P10 respectively for each well and have been summed arithmetically

3. Net to Strike’s 66.7% interest in PEL 96

# Important Notice: continued

**Competent Persons Statement**

*The information in this presentation that relates to the PEL 96 contingent resources estimate has been taken from the independent reports as prepared by DeGolyer and MacNaughton, a leading independent international petroleum industry consultancy firm, and has been reviewed by Mr Chris Thompson (Chief Operating Officer of the Company). All other reported resource and or reserves information in this presentation is based on, and fairly represents, information prepared by, or under the supervision of Mr Thompson.*

*Mr Thompson holds a Graduate Diploma in Reservoir Evaluation and Management and Bachelor of Science Degree in Geology. He is a member of the Society of Petroleum Engineers and has worked in the petroleum industry as a practicing reservoir engineer for over 20 years. Mr Thompson is a qualified petroleum reserves and resources evaluator within the meaning of the ASX Listing Rules and consents to the inclusion in this release of the resource and or reserves information in the form and context in which that information is presented.*

**About DeGolyer and MacNaughton**

*The information contained in this release pertaining to the PEL 96 contingent resources estimate is based on, and fairly represents, information prepared under the supervision of Mr Paul Szatkowski, Senior Vice President of DeGolyer and MacNaughton. Mr Szatkowski holds a Bachelor of Science degree in Petroleum Engineering from Texas A&M, has in excess of 40 years of relevant experience in the estimation of reserves and contingent resources, and is a member of the International Society of Petroleum Engineers and the American Association of Petroleum Geologists. Mr Szatkowski is a qualified petroleum reserves and resources evaluator within the meaning of the ASX Listing Rules and consents to the inclusion of the contingent resource estimate related information in the form and context in which that information is presented.*

While not yet commercial, these results confirm that the coals will be capable of substantial gas production rates and highly economic per well recoveries as the reservoir pressure is reduced at increasing distances from the wells.

*Rule 5.3*

# Appendix 5B

## Mining 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

Name of entity

**STRIKE ENERGY LIMITED**

| ABN | Quarter ended ("current quarter") |
|---|---|
| **59 078 012 745** | **31 December 2015** |

## Consolidated statement of cash flows

| | | Current quarter $A'000 | Year to date (6 months) $A'000 |
|---|---|---|---|
| | **Cash flows related to operating activities** | | |
| 1.1 | Receipts from product sales and related debtors | 426 | 973 |
| 1.2 | Payments for (a) exploration & evaluation | (3,763) | (7,562) |
| | (b) development | - | (11) |
| | (c) production (1) | (297) | (1,044) |
| | (d) administration | (744) | (1,833) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | - | - |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (2) | 240 | 8,813 |
| | **Net operating cash flows** | (4,138) | (664) |
| | **Cash flows related to investing activities** | | |
| 1.8 | Payment for purchases of: | | |
| | (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | (8) | (11) |
| 1.9 | Proceeds from sale of: | | |
| | (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (provide details if material) | - | - |
| | **Net investing cash flows** | (8) | (11) |
| 1.13 | Total operating and investing cash flows (carried forward) | (4,146) | (675) |

*(1) Production payments on a YTD basis include prepayments made under an existing gas transmission agreement for the Groups US assets totalling $US 338K.*

*(2) Other on a YTD basis includes the receipt of $ 8.5 million from the ATO received as a result of the eligible R&D activities undertaken during this FY 15 year.*

| | | | |
|---|---|---|---|
| 1.13 | Total operating and investing cash flows (brought forward) | (4,146) | (675) |
| | **Cash flows related to financing activities** | | |
| 1.14 | Proceeds from issues of shares, options (net of costs) | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings (2) | 1,100 | 1,850 |
| 1.17 | Repayment of borrowings | (36) | (6,082) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other: | | |
| | a. Interest and other cost of financing paid | (185) | (575) |
| | b. Interest & other items of a similar nature received | 25 | 60 |
| | **Net financing cash flows** | 904 | (4,747) |
| | **Net decrease in cash held** | (3,242) | (5,422) |
| 1.20 | Cash at beginning of quarter/year to date | 9,553 | 11,694 |
| 1.21 | Exchange rate adjustments to item 1.20 | 50 | 89 |
| 1.22 | **Cash at end of quarter** | **6,361** | **6,361** |

## Payments to directors of the entity and associates of the directors
## Payments to related entities of the entity and associates of the related entities

| | | Current quarter $A'000 |
|---|---|---|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 (a) | 275 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

(a) In addition to the respective salary and fee payments made to Directors, 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 ($36,423).

## Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

| | | Amount available $A'000 | Amount used $A'000 |
|---|---|---|---|
| 3.1 | Loan facilities (1) (2) (3) | 9,998 | 7,848 |
| 3.2 | Credit standby arrangements | - | - |

(1) *The Group continues to be a party to the Orica Facility on the same terms and conditions as disclosed in the annual financial report for the year ended 30 June 2015.*

(2) *On 22 May 2013, the Group entered into a production payment funding facility (the BlueRock Facility) with BlueRock Energy Capital, for the purpose of funding the drilling and completion costs for the Group's existing Eagle Ford Shales and Permian Basin wells in the United States. Repayments under the BlueRock facility are dependent upon revenue generated from certain of the Group's US production assets. On 1 November 2015, the Group entered into an amendment to the BlueRock facility reducing the repayment obligations for the period from 1 November 2015 to 30 June 2016 from 80% of net revenue to 50% of net revenue, while for the period from 1 January 2016 to 30 June 2016 the interest rate on the loan will be reduced from 18% to 9.5%. In conjunction with this amendment, BlueRock has agreed to assist the Group in its continuing efforts to market and monetise its remaining portfolio of assets in the United States.*

(3) *During the quarter ended 30 September 2015, the Group repaid in full the $5.9 million outstanding under the terms of the FY 15 Macquarie Facility from the proceeds of its FY 15 R&D refund. On 21 September 2015, the Group executed an amendment to the FY 15 Macquarie Facility (the FY 16 Macquarie Facility) to provide pre-funding for eligible Research and Development (R&D) expenditure to be incurred during the year ended 30 June 2016. The FY 16 Macquarie Facility has a limit of $4.0 million which can be drawn down after the related eligible R&D expenditure incurred is validated by the Group's R&D advisors in accordance with the prescribed ATO guidelines and requirements. The FY 16 Macquarie Facility is collateralised in full from the proceeds of the Company's 2016 R&D refund which is anticipated to be received by November 2016. An initial draw down of $750,000 under the terms of the FY 16 Macquarie Facility was made on 29 September 2015, with a subsequent draw down of $1,100,000 made on 15 December 2015.*

## Estimated cash outflows for next quarter

| | | $A'000 |
|---|---|---|
| 4.1 | Exploration and evaluation | 4,062 |
| 4.2 | Development | - |
| 4.3 | Production | 317 |
| 4.4 | Administration | 875 |
| | **Total** | 5,254 |

*The above estimated cash outflows for the next quarter do not take into account the benefit of cash inflows from the sale of production or forward gas sales prepayment agreements, cash inflows associated with committed lines of financing and the effect of other cash flow positive activities.*

## Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| **5.1** | **Cash on hand and at bank** | 5,471 | 6,096 |
| **5.2** | **Deposits at call** | 19 | 19 |
| **5.3** | **Bank overdraft** | - | - |
| **5.4** | **Other – Share of JV bank accounts** | 871 | 3,438 |
| | **Total: cash at end of quarter (item 1.22)** | 6,361 | 9,553 |

## Changes in interests in mining tenements

| | | Tenement reference | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|---|---|---|---|---|---|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | N/A | | | |
| 6.2 | Interests in mining tenements acquired or increased | N/A | | | |

*For further details on the Company's petroleum permits and joint ventures, please refer to Appendix A.*

## Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|---|---|---|---|---|---|
| 7.1 | **Preference +securities** *(description)* | | | | |
| 7.2 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | **+Ordinary securities** | 833,330,946 | 833,330,946 | | |
| 7.4 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 | **+Convertible debt securities** *(description)* | | | | |
| 7.6 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted | | | | |
| 7.7 | **Options** *(description and conversion factor)* | 7,000,000<br>1,000,000<br>3,000,000<br>200,000<br>(1) 1,700,000<br>(2)(4) 26,800,000<br>(3) 450,000 | | ***Exercise price***<br>20 cents<br>20 cents<br>20 cents<br>18 cents<br>- cents<br>- cents<br>- cents | ***Expiry date***<br>18 Nov 2016<br>01 Nov 2017<br>18 Nov 2018<br>10 Apr 2018<br>14 May 2016<br>30 Oct 2018<br>30 Oct 2018 |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | 500,000 | | 20 cents | 01 Nov 2015 |
| 7.11 | **Debentures** *(totals only)* | | | | |
| 7.12 | **Unsecured notes** *(totals only)* | | | | |

*(1) Reflects performance rights issued under the Company's Employee Share Incentive Plan – for details of these awards reference should be made to the Group's Annual Financial Report for the year ended 30 June 2015.*

*(2) Reflects performance rights issued under the Company's Employee Share Incentive Plan – for details of these awards reference should be made to the Group's Annual Financial Report for the year ended 30 June 2015.*

*(3) During the quarter ended 30 September 2015, 450,000 performance rights were issued to an employee under the terms of the Company's Employee Share Incentive Plan - for details of this award, reference should be made to the Company's ASX announcement dated 14 August 2015.*

*(4) During the quarter, 150,000 performance rights were cancelled under the terms of the Company's Employee Share Incentive Plan due to the resignation of an employee, reference should be made to the Company's ASX announcement dated 14 December 2015.*

+ See chapter 19 for defined terms.

**Compliance statement**

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: ........................................................................ Date: 28 January 2016
Company Secretary

Print name: Sean McGuinness

## 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 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.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

*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 |

United States

| **Permit / Joint Venture** | **Location** | **Registered Holder** | **Involvement** | **% Interest** |
|---|---|---|---|---|
| Eagle Landing Joint Venture | Texas | Strike Energy Eagle Ford LLC | Participant | 27.5 |
| Permian Basin | Texas | Strike Energy Permian Basin LLC | Participant | 25.0 |
| Eaglewood Joint Venture | Texas | Strike Energy Wilcox LLC | Participant | 40.0 |