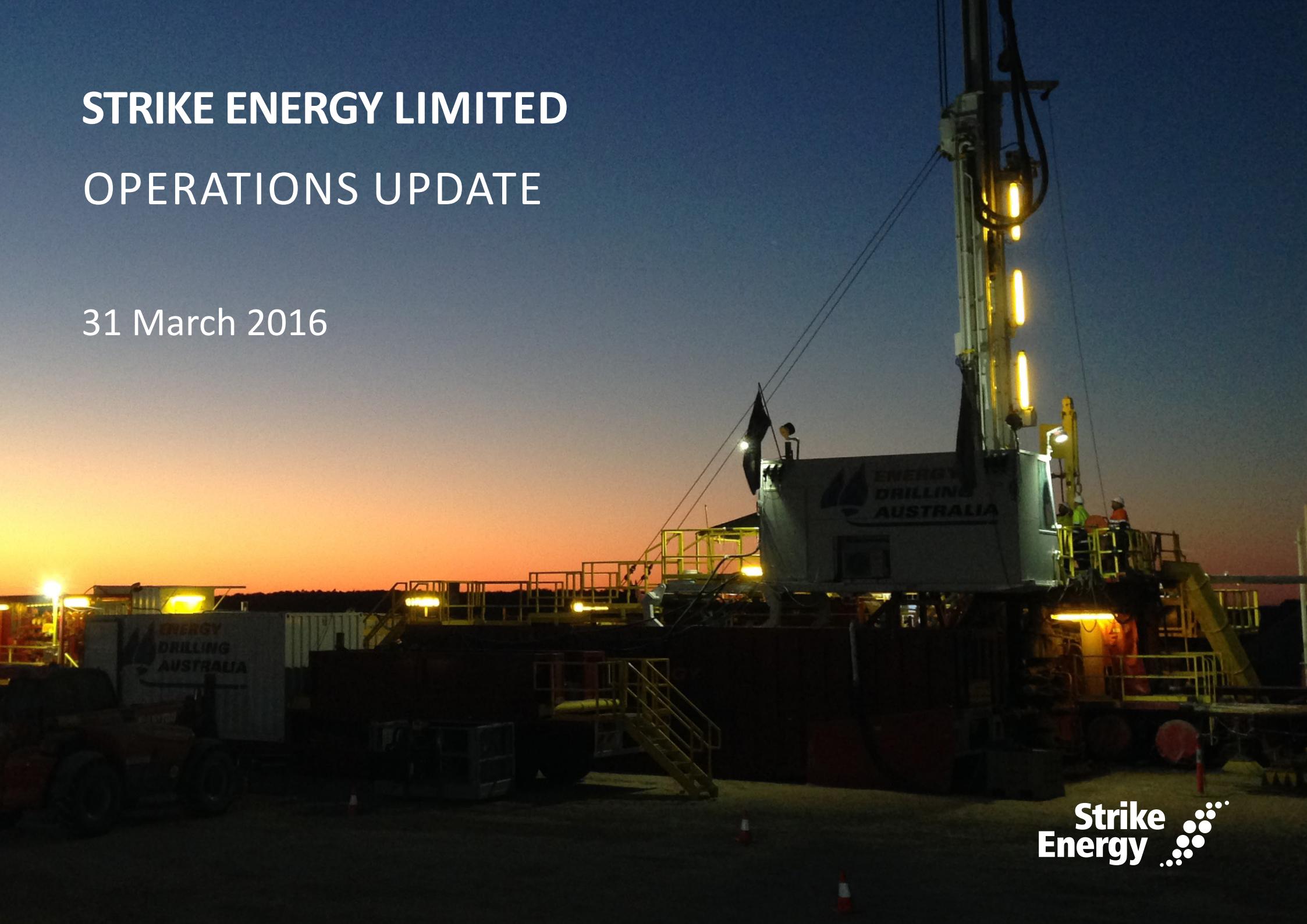


STRIKE ENERGY LIMITED

OPERATIONS UPDATE

31 March 2016

Operations Update: Overview

Strike Energy Limited (ASX:STX) ("Strike") is pleased to provide an update on production testing operations at the Southern Cooper Basin Gas Project (SCBGP) in PEL 96 (Strike 66.67% and Operator, Energy World Corporation (ASX:EWC) 33.33%).

Our disciplined production testing program continues to deliver encouraging results. We have:

- Confirmed the high productivities of all wells tested to date;
- Achieved sustained gas flows at all wells following limited reservoir pressure reduction – consistent with high gas saturation;
- Achieved progressive increases in gas flow rates culminating in record gas flows in February;
- Successfully achieved reservoir pressure reduction in an expanding zone extending out from the wells;
- Established a gas ramp up production profile based on the measured, rapid build-up in gas flow rates;
- Delivered all production testing initiatives on time and on budget;
- Achieved significant reductions in drilling, completion and operating costs.

In summary, production testing observations have confirmed that reservoir pressure reduction initiates gas desorption with increasing gas flows measured as reservoir pressure is further reduced and the low pressure zone expands away from the well allowing more coal to start producing gas. This is consistent with conventional coal seam gas systems, however, it is important to note that the SCBGP coal seams are significantly thicker than most other CSG resources (up to 150m of net coal).

The most encouraging aspect of production testing over recent months has been the immediate and rapid build-up in gas flow rates while water production is maintained above a threshold rate. This indicates that the average reservoir pressure around the Klebb wells of around 2,300psi is approaching the average critical desorption pressure.

While gas ramp up rates have been very encouraging, flows are currently limited by the capacity of the Klebb 2 and 3 jet pumps to handle the increasing gas volumes. The gas production potential of the reservoir will only be fully tested as these engineering constraints are progressively removed with upgraded and enhanced gas lift systems.

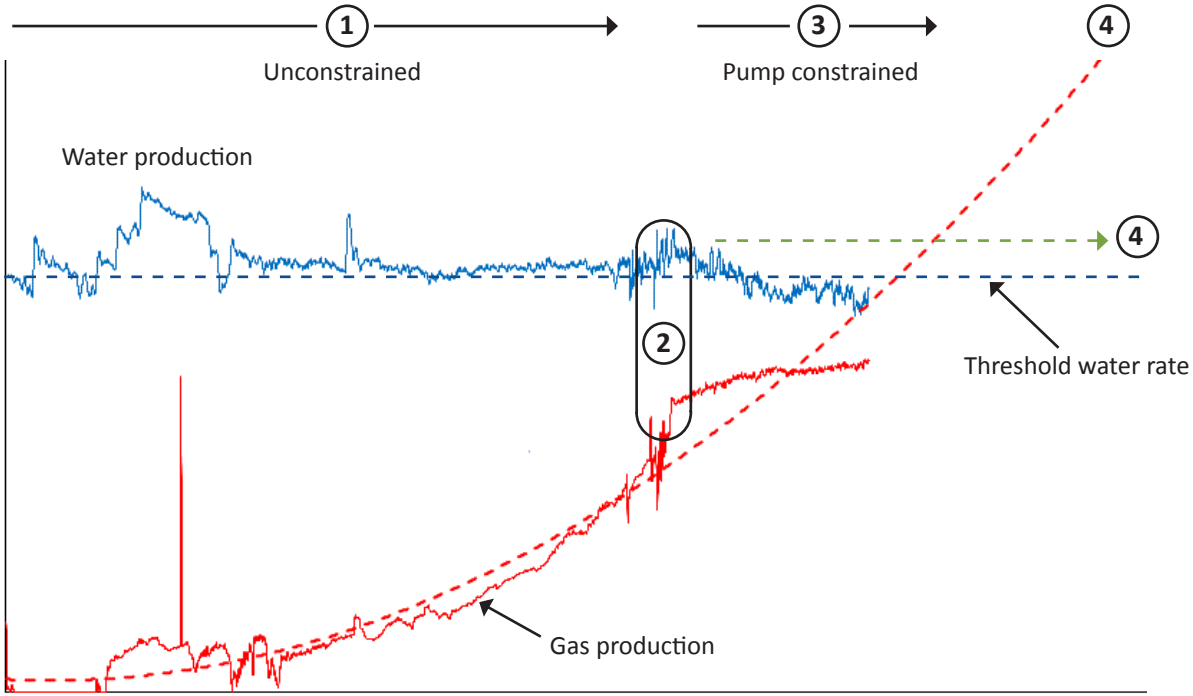
Our ongoing testing program is focused on continuous improvement to progress through threshold commercial gas production rates towards flow rates that conclusively demonstrate the compelling economics and scale of this massive gas resource.

Production Testing: Status

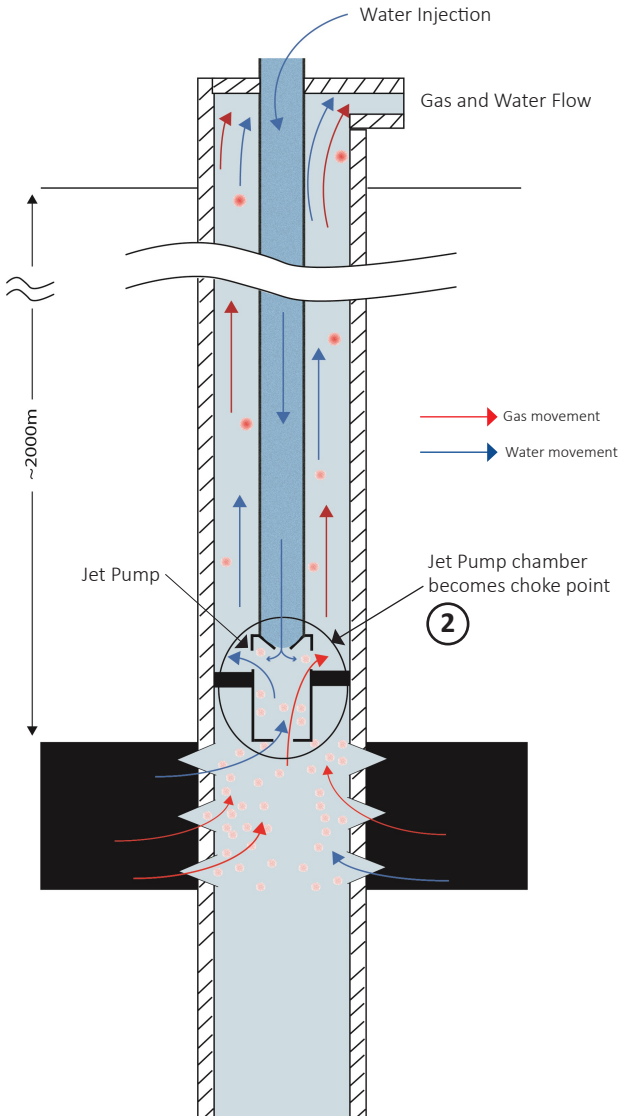
Repeated production tests have established a consistent profile for short term gas production ramp up (see figure below) with distinct phases:

1. Gas flows build rapidly as water production is maintained above the threshold rate.
2. Gas production reaches a level at which gas expansion begins to displace water moving through the jet pump – leading to a decline in net water production.
3. Gas production continues at a stable rate as water production declines below the threshold rate.
4. Extending the period during which water production is maintained above the threshold rate will allow gas flows to build further and ultimately stabilise.

Typical Klebb 2,3 production ramp up profile



Klebb 2 & Klebb 3 – Jet Pump

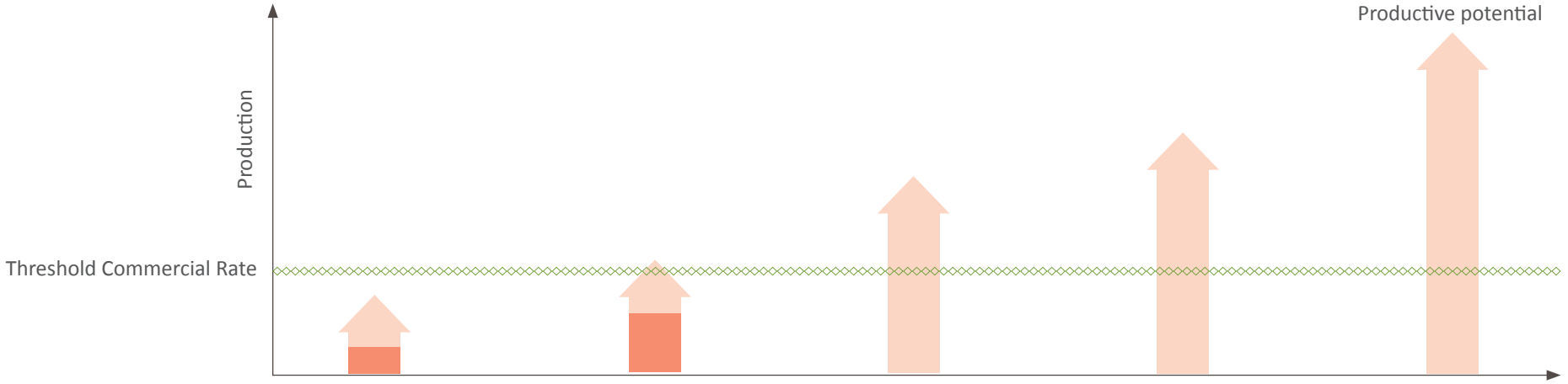


Production Testing: Plan

Klebb 1, 2 and 3 represent the SCBGP's 1st and 2nd generation wells and have delivered progressive improvements in gas flow rates with further increases expected following the current pump upgrade program.

Klebb 4, the project's 3rd generation well design, has significantly increased productive capacity due to a larger casing diameter, increased frac size and new pump type. Klebb 4's design changes are low risk, incremental improvements based on direct experience gained from the Klebb and Le Chiffre wells.

Generation 4 and 5 wells will incorporate further modifications including increased casing size and pump capacity combined with multi-stage fracs to deliver the full productive potential of the resource.



Generation	**1**	**2**	**3**	*4* [1]	*5* [1]
Well	Klebb 1	Klebb 2/3	Klebb 4	*Klebb 5*	*Production*
Seam	Vu Upper	Vu Upper	Vu Upper	*Vu Upper*	*Vu Lower, Vu Upper, Vm3*
Net coal	35m	35m	35m	*35m*	*65m*
Producing zones	1	1	1	*1*	*3*
Frac Size	~60,000lbs	~120,000lbs	~500,000lbs	*Up to 1,000,000lbs*	*Up to 2,000,000lbs*
Well Casing Diameter	5"	5"	5.5"	*7"*	*7"*
Pump Type - Capacity	Beam – 400bwpd	Jet pump – 500bwpd	ESP – 1,800bwpd	*ESP – up to 5,000bwpd*	*ESP – 5,000+bwpd*

[1] *Production data and operating experience from Klebb 4 will be used to finalise designs for 4th and 5th generation wells to optimise production, EUR per well and cost.*

Production Testing: Next Steps

1. Upgrade of Klebb 1, 2 and 3 pump equipment and automation systems to allow:
   - Klebb 1 to achieve more efficient downhole gas / water separation by resetting the beam pump inlet below casing perforations;
   - Klebb 2 to be operated using two of the existing surface pumps in parallel, doubling injection water capacity; and
   - Klebb 3 to be operated using a new surface pump with 150% greater output capacity. The higher water injection rates and pressures delivered by this pump allow larger downhole equipment to be deployed, significantly increasing the gas rate at which pump capacity begins to constrain gas flow.

   Construction work is close to completion and the wells are scheduled to be re-commissioned progressively during April.

2. Klebb 4 will be completed with a fracture stimulation of around 500,000lbs (similar to the Le Chiffre frac) and deployment of an electric submersible pump ("ESP") with capacity to lift up to 1,800 bwpd. This pump facilitates gas and water separation in the well (see adjacent diagram), completely removing jet pump capacity constraints caused by co-mingled gas and water flow.

Critical equipment has been secured to allow frac operations to be completed in June 2016 and the well to be commissioned in July 2016.

These next steps are designed to deliver substantially higher well performance leading to gas flows above threshold commercial rates.

Klebb 4 – Electric Submersible Pump (ESP)