

The Company Announcement Officer
ASX Ltd
via electronic lodgement

SOUTHERN COOPER BASIN GAS PROJECT OPERATIONS UPDATE

- **Production testing operations to recommence**
- **Up to five wells to be in production by year end**

Strike Energy Limited (ASX:STX) is pleased to announce that planning for the continued testing operations at the Le Chiffre 1 and Klebb 1 wells in PEL 96 (STX 66.7% (Operator) and Energy World Corporation Limited 33.3% (ASX:EWC)) has been completed with field operations scheduled to recommence during September.

Based on the production testing completed to date at Le Chiffre 1, Klebb 1 and Davenport 1, a program has been designed to continue the evaluation of the productivity of the Patchawarra coals. The program will comprise extended testing of the three wells completed to date plus the drilling of two close spaced offset wells around Klebb 1. This will enable the impact of fracture stimulation size on hydrocarbon and formation water production to be understood and facilitate optimisation of development economics.

FLOW BACK AND TESTING PROGRAM

The continued evaluation of the project will be undertaken in a series of phases.

Phase	Activities	Objectives	Timing
1	Installation of pumps at Le Chiffre 1 and Klebb 1	Test pumps, measure formation fluid production rates, measure critical desorption pressure	October to December 2014
2	Drill and complete two close spaced wells offsetting Klebb 1	Achieve sustained gas flows to surface, gas flow rates, gas composition	November to December 2014 - Drilling January 2015 - Production testing

Initial Phase 1 testing was completed with limited post frac flow back operations in June and July and will continue with the installation of pumps in the Le Chiffre 1 and Klebb 1 wells.

Phase 2 will extend the existing program through the drilling of two close spaced offset wells around Klebb 1 followed by completion and extended flow testing of all three Klebb wells.

The objectives of the Phase 1 and 2 programs is to determine the reservoir pressure at which gas production commences (the critical desorption pressure), achieve sustained gas flows to surface and obtain data on formation water production volumes.

Subsequent multi-well testing centred on the Le Chiffre well will focus on well spacing and production optimisation.

The continued testing program at Davenport 1 in PEL 94 compliments Strike's ongoing PEL 96 appraisal program and the Joint Ventures intend to work collaboratively to accelerate the evaluation of the play.

MANAGING DIRECTORS COMMENT

"We have designed a focused program to evaluate the high productivity Patchawarra coals. By the end of the year we will have production testing operations at five wells underway. We believe we are very close to unlocking the potential of this play that will underpin the development of a major gas resource."

The attached Southern Cooper Basin Gas Project – Investor Update presentation provides further information on the project and forward plans.

Yours faithfully

A handwritten signature in black ink, appearing to read "DW", with a long horizontal line extending to the right.

DAVID WRENCH
Managing Director

STRIKE ENERGY LIMITED

SOUTHERN COOPER BASIN GAS PROJECT

Investor Update

August 2014



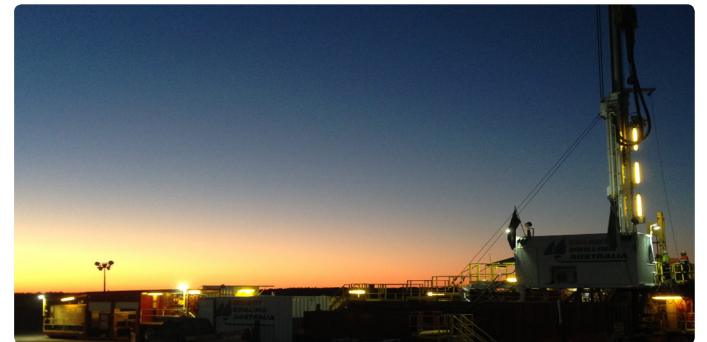
Southern Cooper Basin Gas Project: Executive summary



Large gas resource, direct access to infrastructure -> Eastern Australian gas markets

High deliverability reservoir, production testing Q4 2014

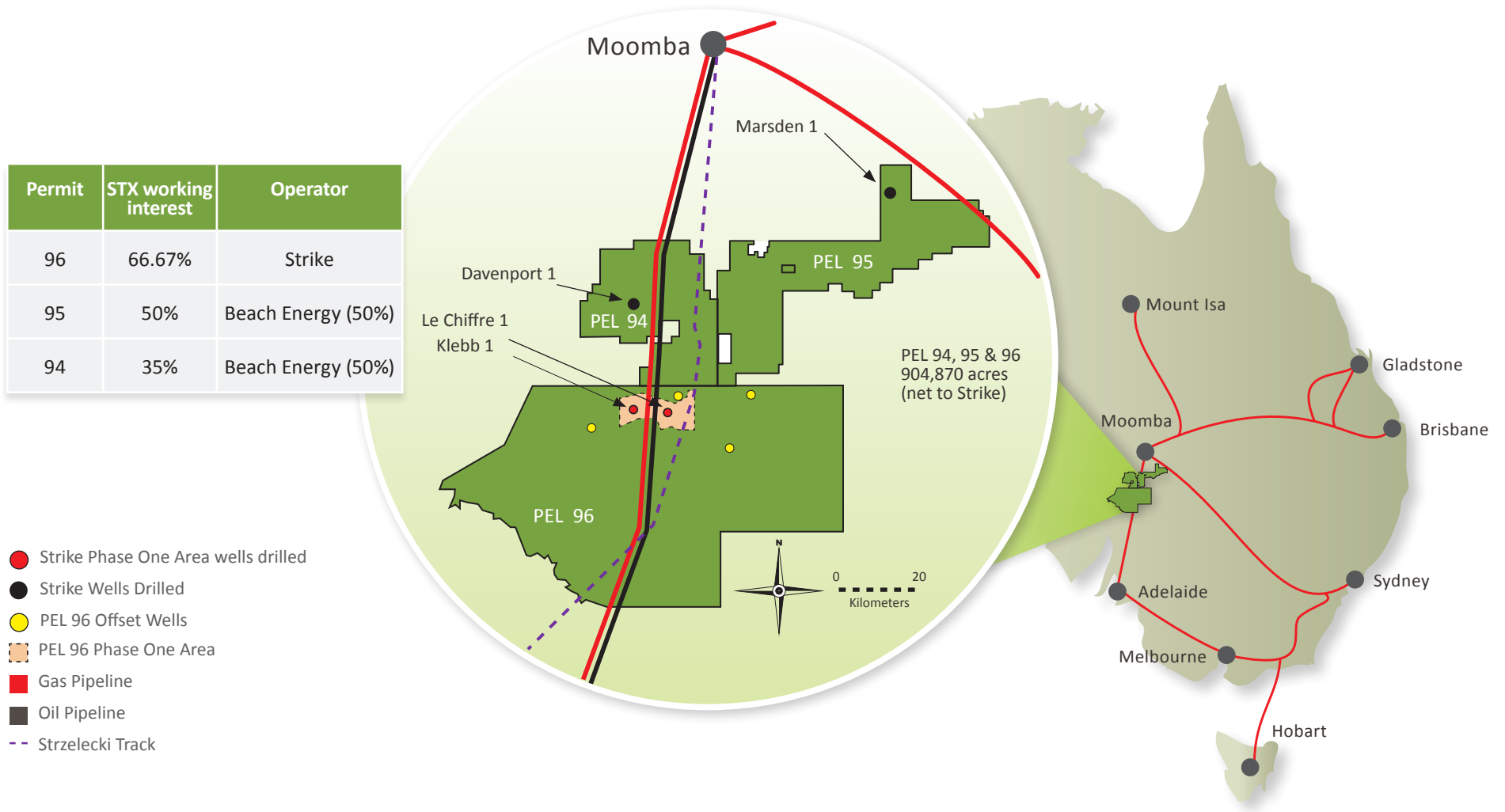
Targeting initial 2P reserve certification in 2015



Southern Cooper Basin Gas Project: Favourable location



Strike's PEL 94, 95 and 96 permits are ideally located with direct access to infrastructure connecting to Eastern Australian gas markets.

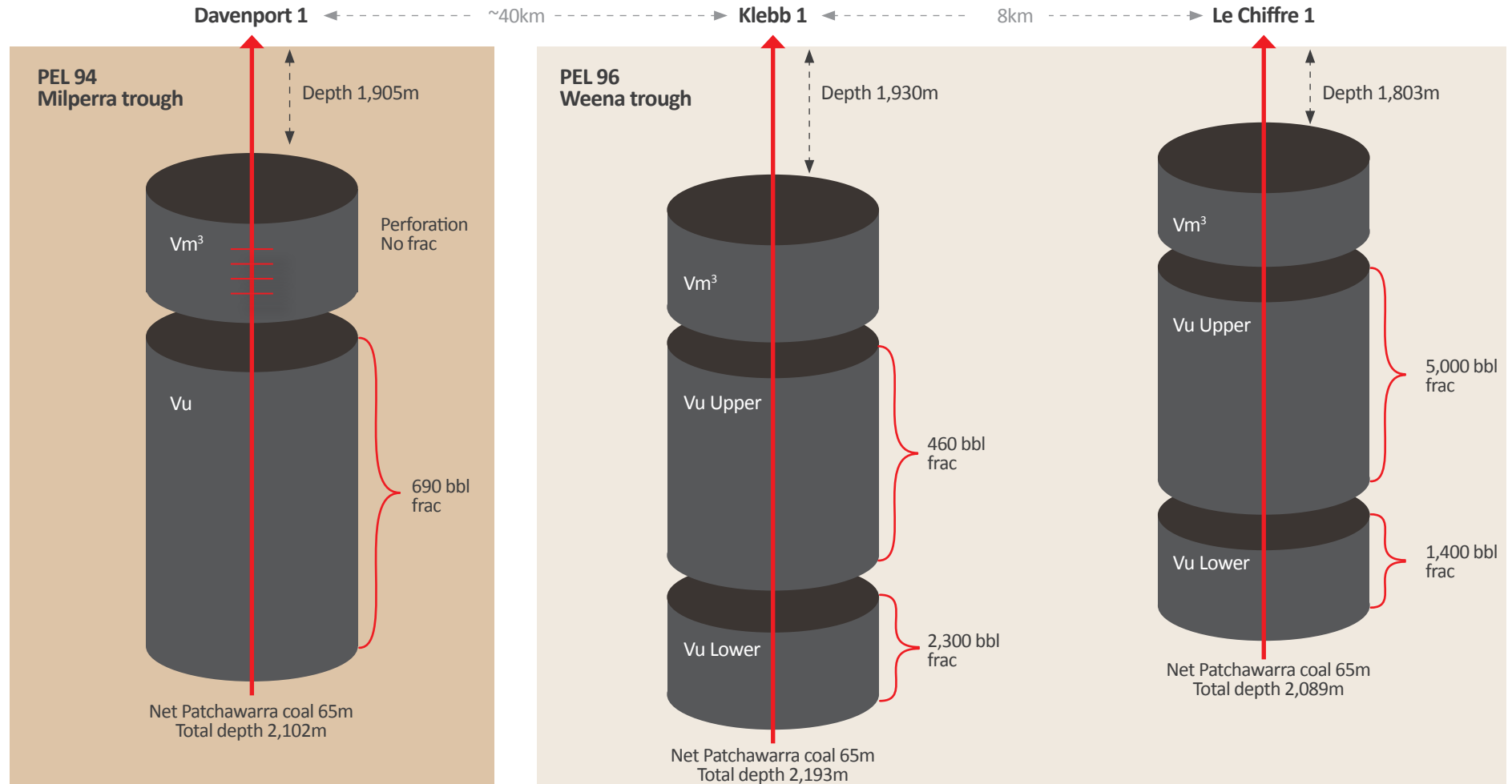


Strike has control of planning, timing and execution of activities in PEL 96

Southern Cooper Basin Gas Project: Appraisal activities



Three wells, Le Chiffre 1, Klebb 1 and Davenport 1 have been drilled in Strike’s permit areas, PEL 96 and PEL 94. Each well has been completed in the Patchawarra coals with a range of fracture stimulation treatments. The Vm3 seam in Davenport was perforated only, with no fracture stimulation. Limited production testing at all wells has also been undertaken.



The foundations of this play are a large, high deliverability resource with low cost completion potential

Southern Cooper Basin Gas Project: What have we observed?



In 2013 Strike drilled two appraisal wells in PEL 96, Le Chiffre 1 and Klebb 1, with the objective of obtaining core, log and other data. This was followed in June 2014 by well stimulation, completion, flowback and testing operations. Detailed analysis of the data, testing and associated observations has now been completed and the table below summarises the findings relating to resource and reservoir parameters.

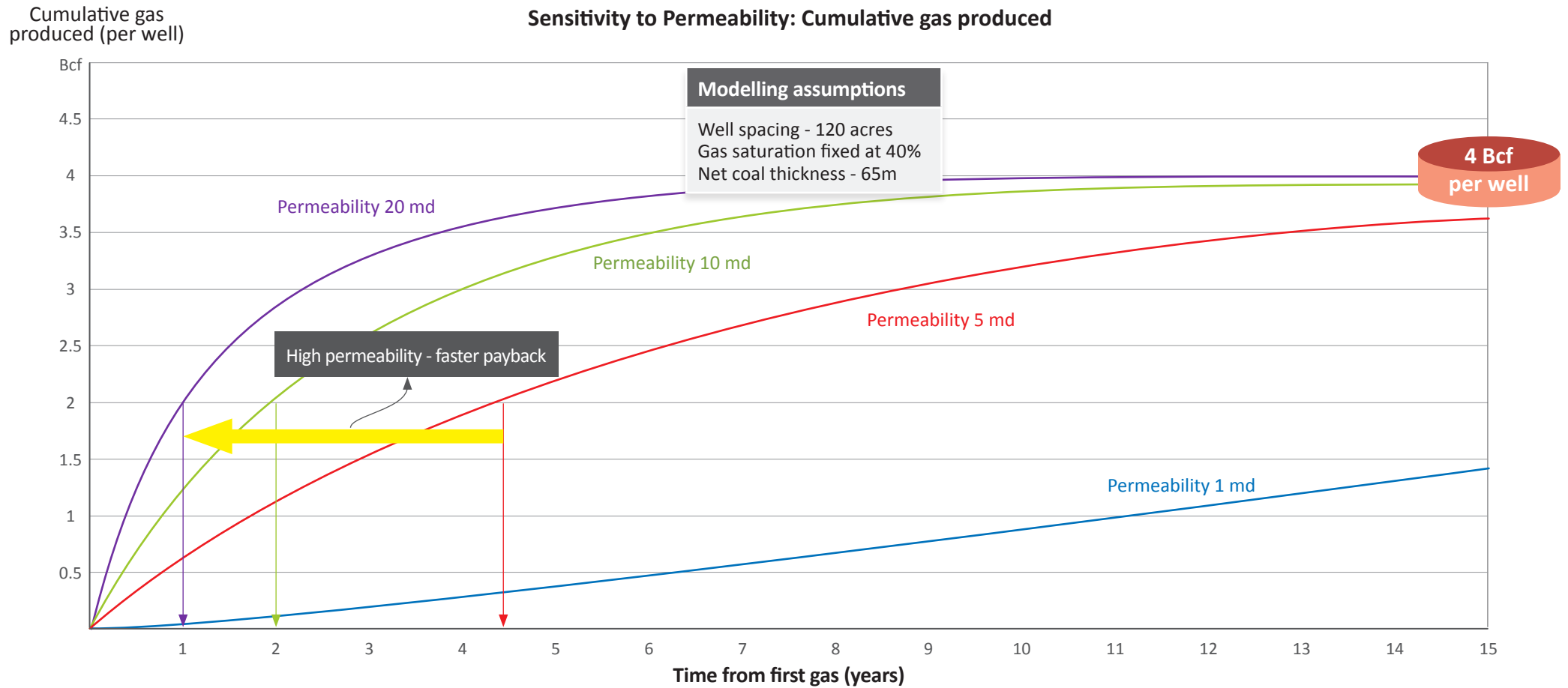
Parameter	Measurement / Observation	Comment	
Presence of coals	Over 100m net coal in both Le Chiffre 1 and Klebb 1 65m - Patchawarra coal	Individual seams >30m thick Seams continuous over large distances	Large resource
Hydrocarbon generation	Gas shows while drilling Measured gas from desorption Ro(max) 0.7 – 0.8 (at 1,900m) Gas to surface - production testing	Hydrocarbons present in coals Gas saturation level >30%	
Permeability	Le Chiffre 1 - permeability ~ 25 mD Klebb 1 - permeability ~ 16 mD	Permeability + thickness (65m)	High deliverability
Drilling and completion	Patchawarra target interval 1,900m - 2,000m	Vertical, relatively shallow wells Simple completion	Low cost

Reservoir models have been developed to estimate per well recoveries for the Patchawarra coals

Southern Cooper Basin Gas Project: Reservoir modelling



The high net coal thickness (~65m net pay) and permeability drives high formation productivity.



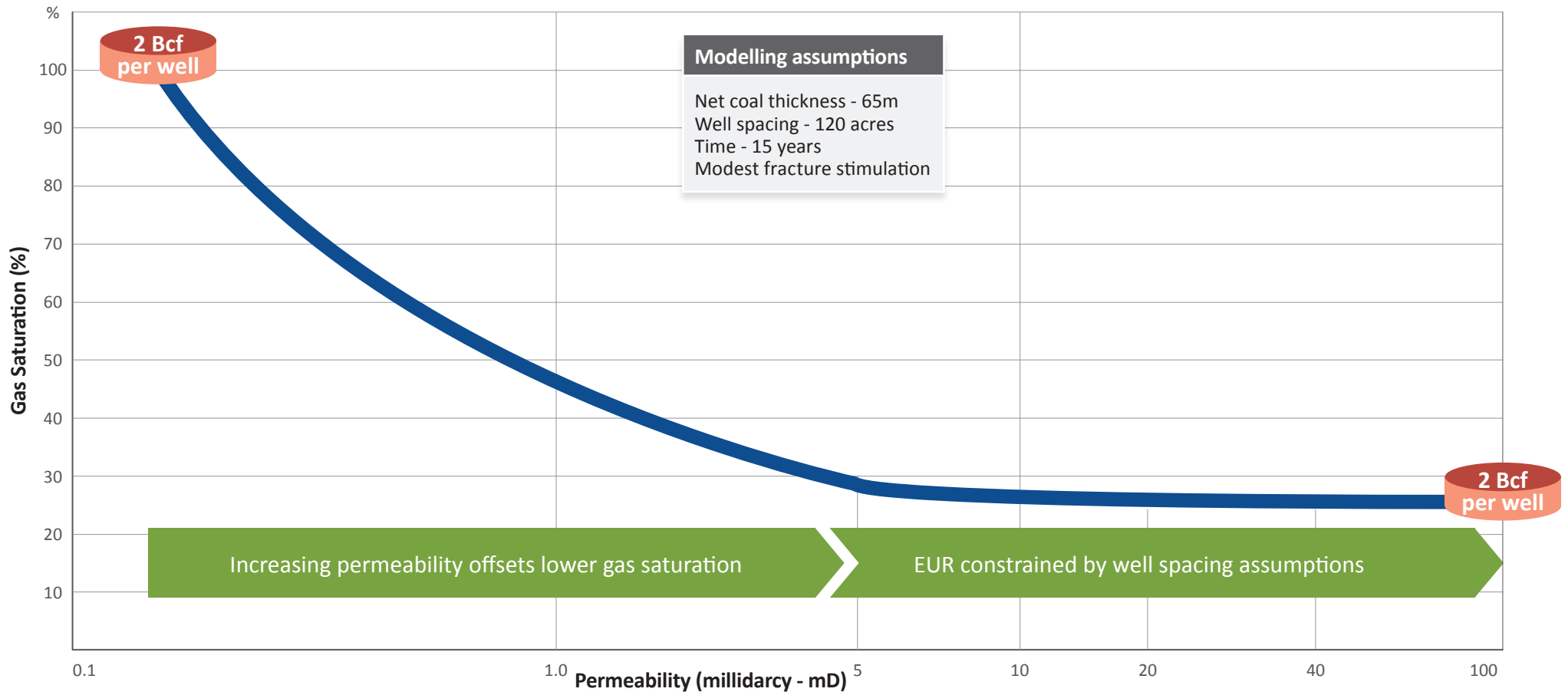
Increasing permeability drives faster payback

Southern Cooper Basin Gas Project: Development potential of the play



These charts summarise the relationship between permeability, gas saturation and well recovery for Strike’s PEL 96 Phase One Area resource. This relationship has been established using standard industry reservoir models.

PEL 96 - Relationship between Permeability (mD) Gas Saturation (%) and per well EUR (Bcf) - Chart 1 of 2



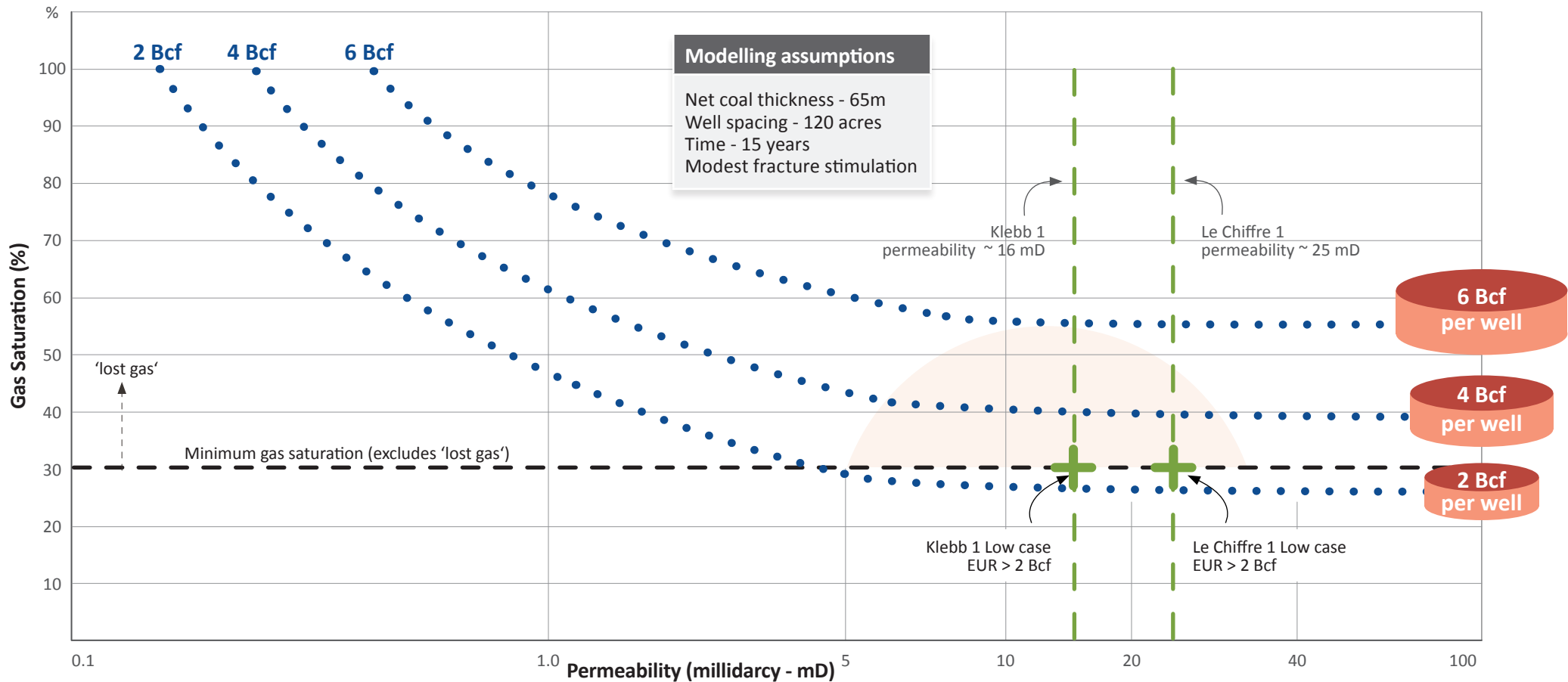
EUR of 2 Bcf per well to break-even

Southern Cooper Basin Gas Project: Development potential of the play



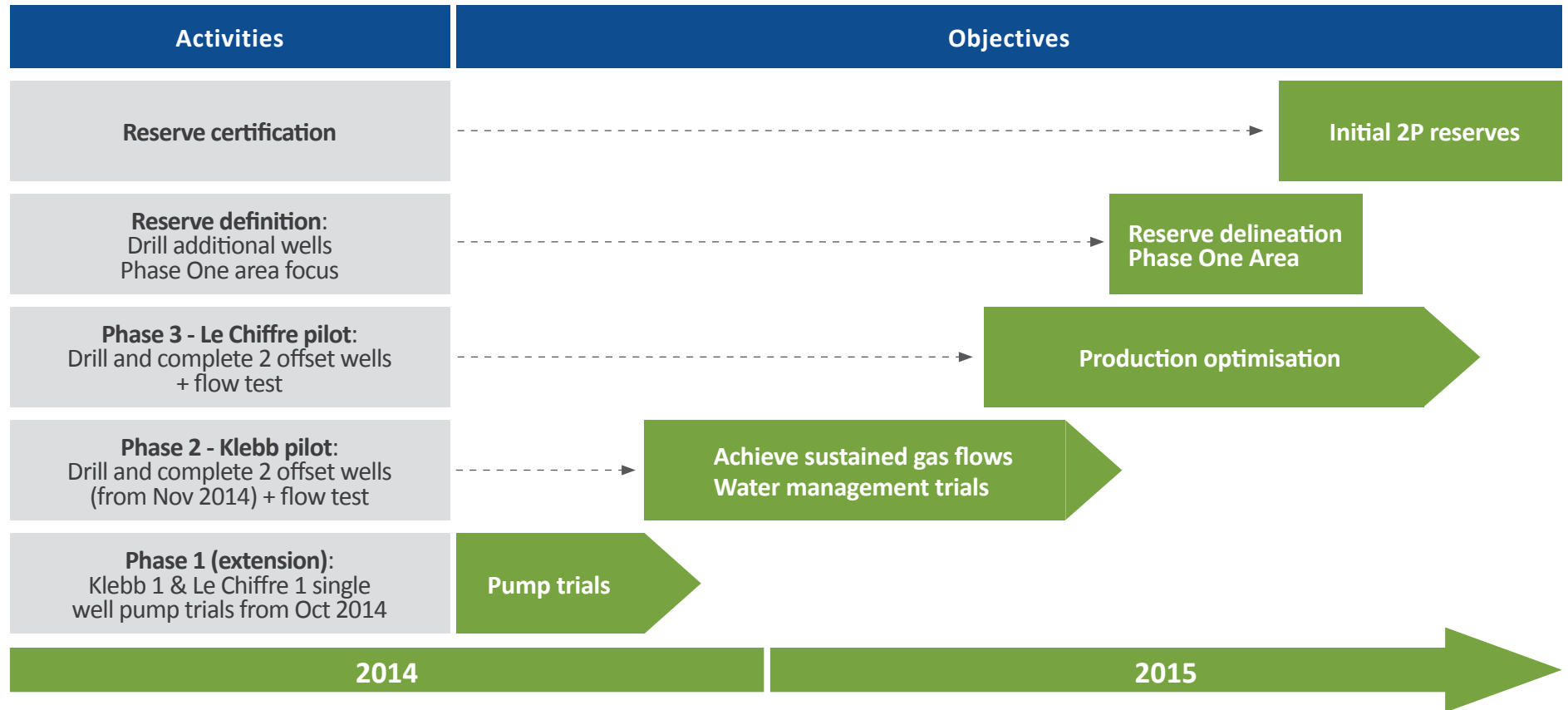
Measured permeability at Le Chiffre 1 and Klebb 1 has fundamentally altered Strike’s understanding of the reservoir. The reservoir has demonstrated exceptional deliverability. At the same permeability, increasing gas saturation increases well recovery.

PEL 96 - Relationship between Permeability (mD) Gas Saturation (%) and per well EUR (Bcf) - Chart 2 of 2



Discovery of high deliverability reservoir system with substantial per well recovery potential

Southern Cooper Basin Gas Project: Commercialisation program – next steps

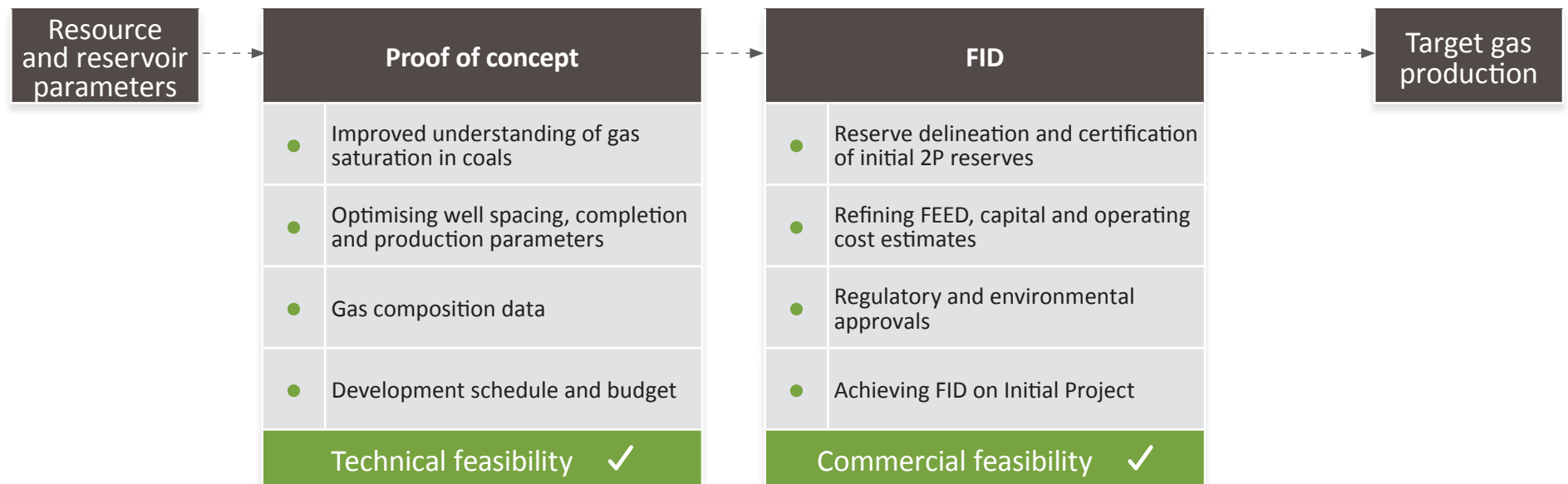


Strike targeting first 2P reserves in 2015

Southern Cooper Basin Gas Project: Activities/milestones - target gas production



Appraisal well drilling, completion and initial flow testing have confirmed that the Patchawarra coals host a potentially large, low cost gas resource with high deliverability.



Strike targeting first gas in 2017

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COMPETENT PERSONS STATEMENT

The reported resource and or reserves in this presentation are based on information compiled by Mr C Thompson. Mr. Thompson is the General Manager of Strike's Cooper Basin Project and has consented to the inclusion of the resource and or reserves information in this report.

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.