

The Company Announcement Officer ASX Ltd

via electronic lodgement

SOUTHERN COOPER BASIN GAS PROJECT OPERATIONS UPDATE

Klebb pilot upgrade successfully completed

Klebb 4 ESP successfully commissioned

All 4 Klebb wells now on test

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

Overview

Over the last few months Strike has successfully completed a major upgrade of the production capacity of the Klebb pilot project. The work has included an upgrade of the jet pump systems at Klebb 2 and 3 and fracture stimulation, completion and commissioning of an electric submersible pump ("ESP") at Klebb 4.

Consistent production from all four Klebb wells will accelerate reservoir pressure reduction leading to increasing gas flow rates.

Klebb Production Test Update

Since the Company's last operations update on 21 June 2016, flow testing has continued.

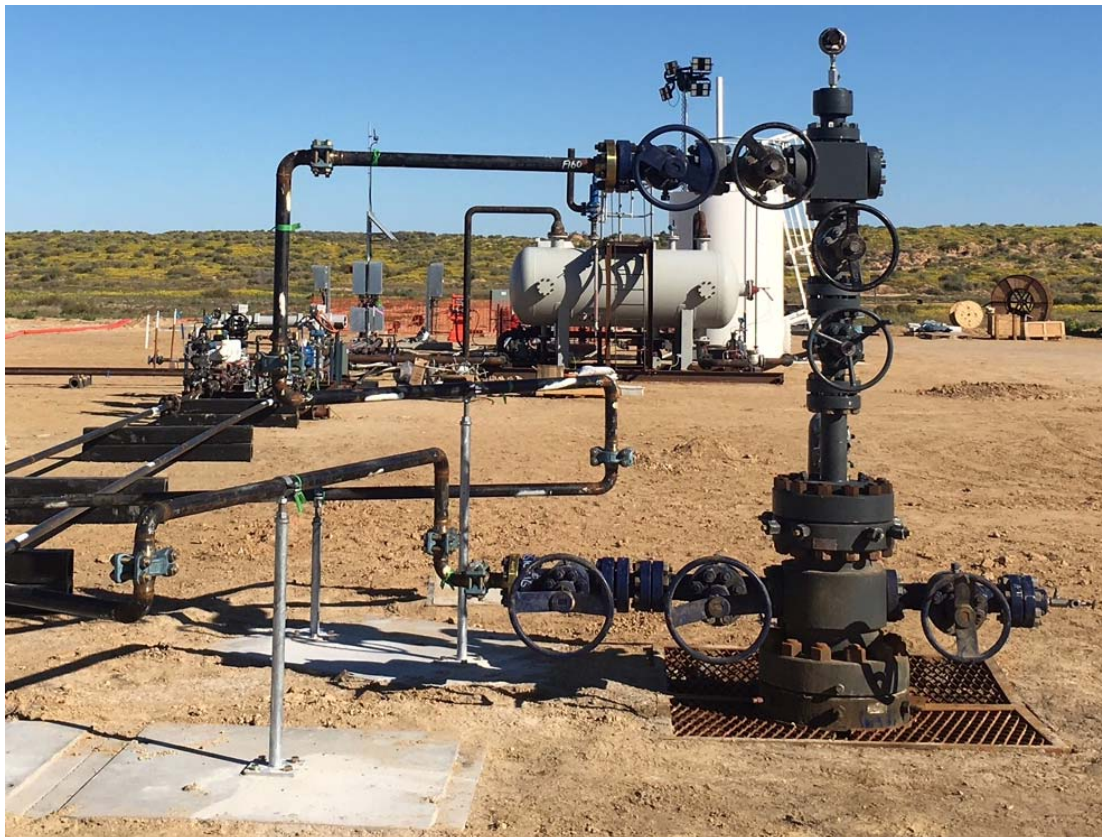
The performance of Klebb 2 in terms of water and gas production rates following the extended shut in during April has been consistent with our previous experience. In particular, as the reservoir in the close vicinity of the well approaches the conditions achieved in February and March, similar gas responses are observed. However, the well is still constrained by the gas handling capacity of the pumps and it is now planned that Klebb 2 will be upgraded in line with the successful Klebb 3 pump upgrade and workover.

The productivity of Klebb 3 has continued to improve with water production rates of 730 - 750 bwpd being maintained. We believe this significant improvement is likely to have resulted from a combination of an upgrade to the downhole jet pump assembly and flush of the frac performed during the workover of the well.

This sustained productivity improvement is a positive outcome as the larger reservoir volume being de-pressured by the well will lead to increased gas production and recovery. However, it will take longer to produce the volume of water required to reach the reservoir conditions in the vicinity of the well that lead to rapid increases in gas rates.

Klebb 4 completion

The Klebb 4 electric submersible pump (“ESP”) has been successfully commissioned. The pump is performing well and will be optimised over coming days to calibrate pump rates with reservoir productivity to enable bottom hole flowing pressure to be directly managed.



Forward Plan

Flow testing of all four Klebb wells will continue with a focus on maintaining consistent, stable production. Klebb 4 flow rates will be increased gradually to achieve a steady reduction in reservoir pressure in the zone around the well to maximise long term productivity.

Managing Directors Comment

"We are extremely pleased to have successfully completed this major upgrade of pump capacity at the Klebb location. Our focus is now on maintaining consistent, stable production from all four wells so that they work together to reduce reservoir pressure over a larger volume of coal."

Yours faithfully



DAVID WRENCH
Managing Director