

The Company Announcement Officer ASX Ltd

via electronic lodgement

Southern Cooper Basin Gas Project Operations update

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

Stable operating conditions have continued at the Klebb site over the last 3 weeks, with consistent pumping from the Klebb pilot. The dewatering process to lower reservoir pressure sufficiently to achieve gas desorption is tracking to plan and in line with expectations.

Strike submitted its application for grant funding from the SA Government's \$24 million PACE Gas Grant Program. All applications are being assessed by an expert panel of officers from the Department of State Development with the announcement of successful proposals expected in February, 2017.

Klebb Production Test Update

During December 2016, the Klebb distributed power project was completed. This project provides redundant power for pumping activities, thereby increasing uptime and reducing on-going expenditure on fuel and other recurrent costs (such as generator rentals and maintenance).

Optimal management of the Klebb 1 fluid level has continued to be maintained over the last month. Gas continues to slowly build, as expected, and is being flared constantly with water flows declining as planned.

Klebb 2 and Klebb 3 continue to perform well, with minimal interruption, typically contributing a combined 1,000 bbl/d to the de-watering effort and a positive influence on the continued progress of Klebb 1. Both Klebb 2 and 3 are performing to plan.

Klebb 4 continues to experience performance issues, which are not impacting the core objective of the production test at the Klebb pilot. A chemical treatment was conducted and work is on-going with the equipment vendor to restore steady operation of the pump.

Forward Plan

Flow testing will proceed throughout the holiday period, maintaining the consistent pumping operations and low flowing pressures required to build gas flows.

A handwritten signature in black ink that reads "David Baker".

David Baker
Managing Director

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