

The Company Announcement Officer ASX Ltd

via electronic lodgement

Southern Cooper Basin Gas Project and Commercial Update

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

Klebb Production Test Update

Stable operations at the Klebb pilot were briefly interrupted in recent weeks, with minor equipment failures slightly reducing the rolling average uptime for Klebb 1, 2 and 3 to 92% for March 2017 and 97% for the quarter to date. Despite this, the dewatering process required to de-pressure the drainage area around the pilot wells continues to track to plan. In particular, over 600Mbbbls of water have been produced from the Klebb pilot wells, representing an estimated >85% of the finite de-watering task required to achieve the gas flow results that will support commercialisation, based upon reservoir modelling and other observed reservoir parameters.

As gas flows have returned to the Klebb pilot operation, the intermittent production of solids from the coal seam and the precipitation of a scale has been noted in the Klebb 2 and Klebb 3 jet-pump assemblies and surface equipment. Modifications to the chemical program, including the use of a scale inhibitor, have somewhat mitigated the issue, but further changes are in progress which we expect will fully remedy the issue over the coming month.

The solids and scale have temporarily affected the reliability of operations, as noted above, and the management of bottom-hole pressures in Klebb 2 and 3. However, the bulk de-watering of the coals remains the key objective, which has not been unduly impacted. No scale has been noted from the Klebb 1 beam-pump during this time.

Long lead-items, required to convert the Klebb 2 and 3 wells from jet-pump dewatering to long-term gas producing beam-pump completions, have begun arriving at site and preparatory construction operations will commence in April 2017. The beam-pumps achieve downhole separation of water and gas, without the mechanical limitations of the jet pumps. We expect these changes to contribute significantly to increased gas production towards commercial rates in Q2, 2017.

Strike will implement the pre-existing plan to workover the Klebb 2 well to beam-pump during May 2017, whilst continuing dewatering operations with Klebb 1 and Klebb 3. Once Klebb 2 has been reinstated and the resulting performance observed the timing of the planned workover of Klebb 3, which continues as the best performing well at the Klebb pilot, will be decided.

Demonstration Facility Update

Detailed design for the planned 10TJ/day Demonstration Facility is proceeding with the two selected equipment vendors scheduled to respond to our request for tender towards the end of Q2, 2017. Field development planning is proceeding in parallel with this work stream together with commercial discussions to tie the Facility into the Moomba to Adelaide Pipeline System.

Orica GSA Discussions

As previously announced on 20 February, 2017, discussions with Orica to agree a mutually acceptable outcome to align the Orica GSA with the development strategy currently proposed by Strike for the Southern Cooper Basin Gas Project are continuing and a further extension to 31 May, 2017 has been agreed in principle and is expected to be finalised shortly.

PACE Gas Grant Update

Following the announcement of the award of \$2 million in grant funding from the South Australian Government (as announced on 17 March, 2017), Strike is progressing discussions with the Department of State Development to finalise the Funding Deed.

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