

The Company Announcement Officer ASX Ltd
via electronic lodgement

TECHNICAL SUCCESS VU UPPER

KEY HIGHLIGHTS

- Strike refines gas content in the Vu Upper coal seam in the Klebb area of the Southern Cooper Basin Gas Project to between 6.1 m³/t and 6.0m³/t and declares Technical Success;
- Producibility of the Vu Upper coal confirmed and commercial appraisal of the field with optimised production systems warranted (The Jaws Project).

Strike Energy Limited (ASX:STX) (**Strike**) is pleased to announce it has achieved Technical Success over the Vu Upper coal seam in the Klebb area within its Southern Cooper Basin Gas Project (**SCBGP**) in PEL 96 (Strike 66.67% and Operator, Energy World Corporation (ASX: EWC) 33.33%).

In May 2017, Strike, with its new subsurface focus, recompleted the Klebb 2 & 3 wells in order to observe gas/ water production and refine the range of the gas content present within the >35m thick Vu Upper coal seam. This reservoir parameter was highlighted as a part of the external Technical Validation Review conducted by Igesi Consulting as the most influential piece of uncertainty that would affect ultimate gas recovery from the SCBGP and inhibit development.

After approximately three months of continuous operations with improved reliability, Strike has refined its gas content to between 6.1 m³/t and 6.0m³/t in the Vu Upper. This is within the top third of its expected range and provides substantial evidence of the high-quality nature of Strike's multi-TCF resource.

With the refined gas content and off the back of increasing gas rates and reducing water rates, Strike is confident that, with the right completion, the resource is producible and that the commercial appraisal of the resource which Strike has planned for Q1 2018 in the form the 'Jaws Project' is warranted.

The above declaration has been externally validated by Mr Tony Cortis of Igesi Consulting. Mr Cortis said "*I support that the gas and water production observed at Klebb is consistent with a gas saturation of 6.1-6.0m³/t.*"

Managing Director, Stuart Nicholls commented:

"With the gas content of Strike's primary coal seam coming within the upper range of our expectation, Strike is hugely excited to progress the Southern Cooper Basin Gas Project towards Commercial Success through the roll out of the Jaws Project. The magnitude and size of Strike's multi-TCF resource is transformational in nature and will be a key enabler for natural gas regaining its place in South Australia as an affordable, abundant and reliable source of energy.

The achievement of this geological milestone is a great credit to the new team here at Strike. Strike has spent considerable time building a deeper and more credible subsurface understanding of its unique depositional

setting which it has achieved through a refreshed organisation with on-shore specialists from around Australia and consistent guidance and advice from Mr Cortis.

This landmark was supported via the South Australian Government PACE Round 1 Program and is a cornerstone of Strike's ability to deliver gas into the South Australian energy system by the end of 2019. Strike thanks its shareholders, partners and many stakeholders for their ongoing support."

Investor and Media Contacts

Justin Ferravant – CFO & Company Secretary +61 8 7099 7489

Stuart Nicholls – Managing Director +61 432 587 808

Klebb 2

254 m

Klebb 1

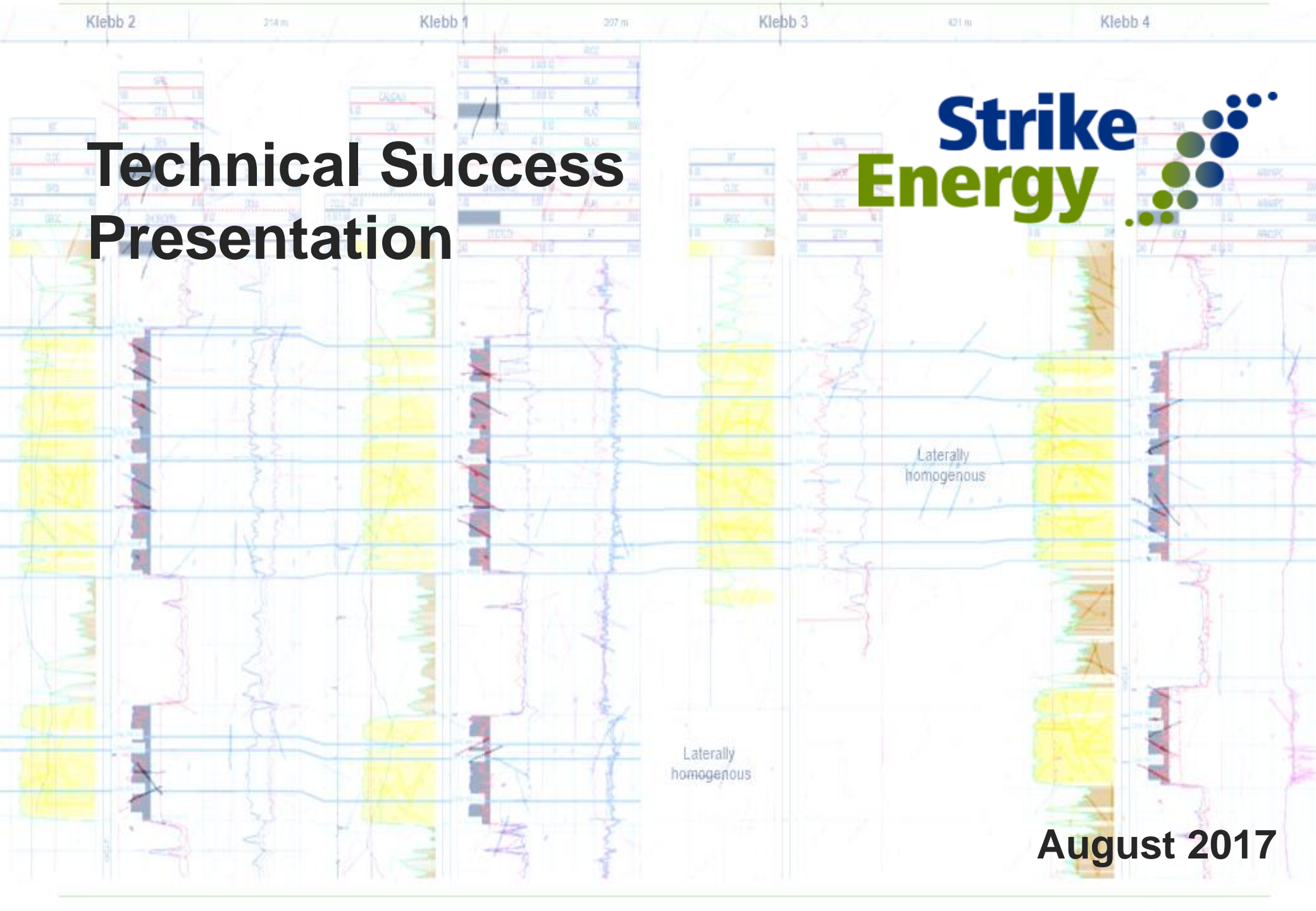
307 m

Klebb 3

421 m

Klebb 4

Technical Success Presentation



Laterally
homogenous

Laterally
homogenous

August 2017

Technical Success

- Strike Energy, supported by the South Australian Government through the PACE Round 1 Grant and in partnership with Australian Gasfields Limited (EWC) has declared Technical Success over the resource in the Klebb area.
- All objectives of the pilot were met; short term production trends observed, increasing gas rates and decreasing water rates achieved as expected during drawdown, and sufficient data has been gathered to understand and calibrate reservoir parameters and models.
- Gas content of the Vu Upper coals in the Klebb area refined to between 6.1 and 6.0m³/t.
- Producibility of the Vu Upper coal confirmed and commercial appraisal of the field with optimised production systems warranted ('The Jaws Project').
- This outcome has been independently verified by Tony Cortis of Igesi Consulting.

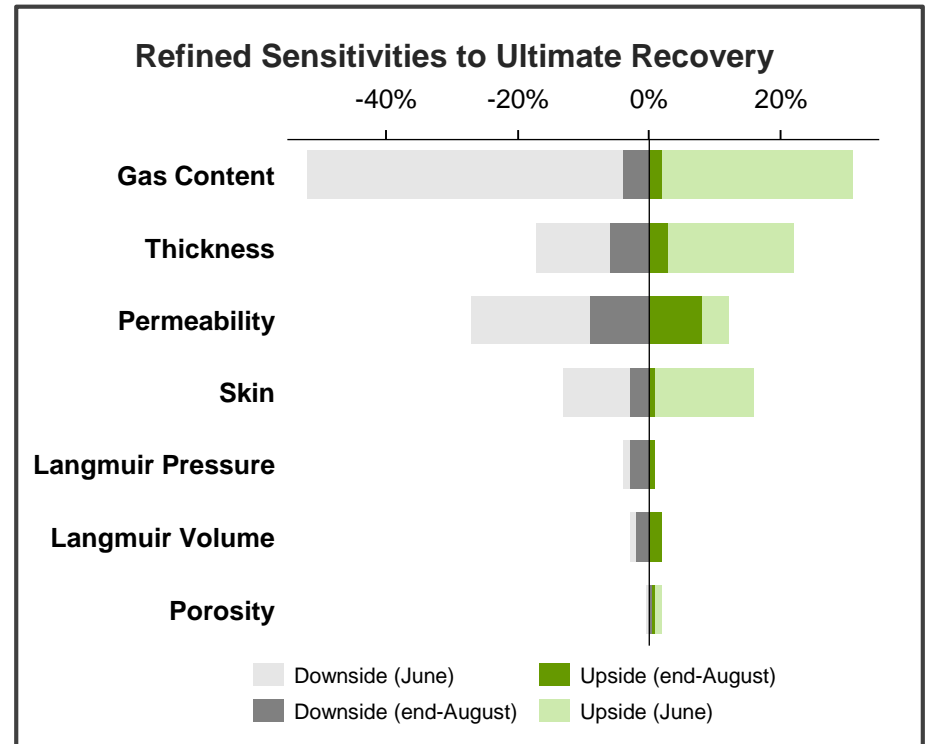
Klebb 2 August



Reservoir Parameters – Refined Understanding

- Production testing since recompletion of Klebb 2 and Klebb 3 in May 2017 has significantly increased the Company's understanding of its deep coal resource.
- Material downside geological risk removed.
- Further validation through continuing geological and geophysical studies and additional coring during the Jaws campaign will further refine reservoir parameters.

Refined Reservoir Properties		
	High	Low
Gas Content (m3/ton)	6.1	6.0
Matrix Permeability (md)	2.5	1.5
Fracture Permeability (md)	7	5
Porosity (%)	1.8	1.5
Reservoir Pressure (psi)	3000	2900
Compressibility (1/psi)	7.00E-04	5.00E-04
Desorption Pressure psi	895	750
CO2 Percentage (%)	44	32
Langmuir Pressure (Mpa)	13	11.5
Langmuir Volume (m3/ton)	18	16



* All Gas Content numbers refer to m3 of CH4 per tonne of coal

Gas Content Analysis

Eastern Australian Coal Basins Gas Content vs Depth

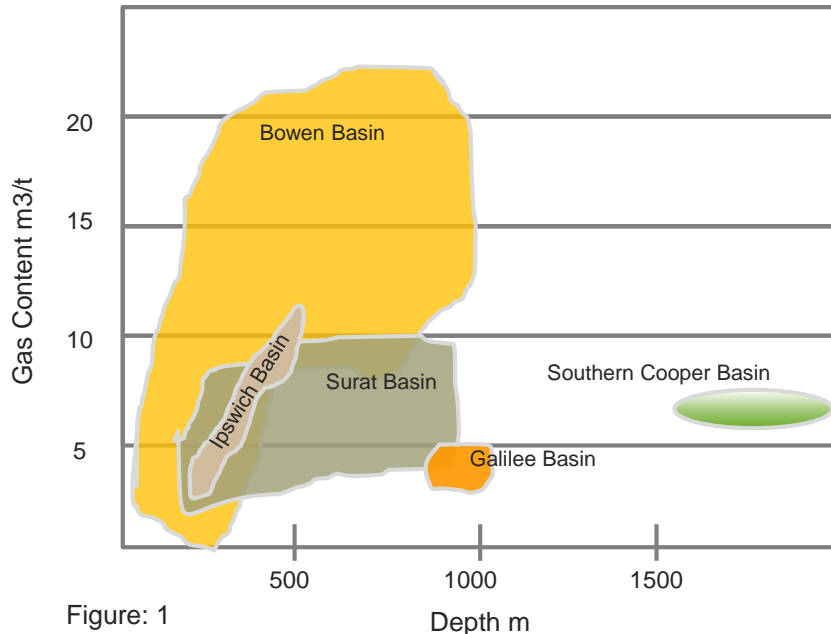


Figure: 1

Net Pay vs Depth for various Coal Seam Gas Projects

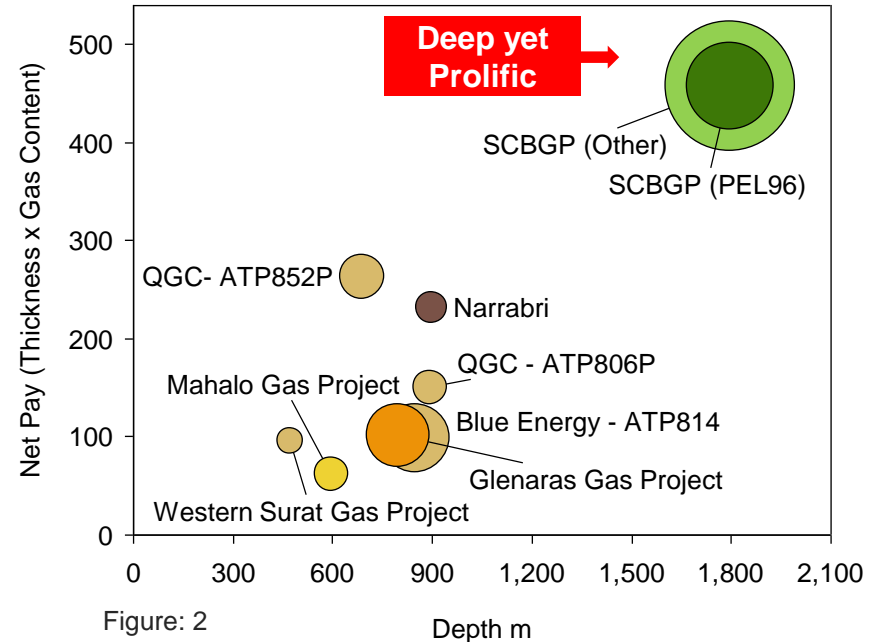


Figure: 2

- Strike's coal breaks the industry paradigm around the inverse relationship between depth and producibility. This is due to the Southern Cooper Coal's unique extensional vs compressional setting, allowing for preserved permeability.
- Regional expectation (refer Figure: 1) in line with Strike gas content analysis.
- Industry first: Strike's Southern Cooper Coal Seams are the deepest tested coal seams in Australia.

- Galilee Basin
- Bowen Basin
- Cooper Basin
- Surat Basin
- Gunnedah Basin
- = Size (PJ; Reserve & Resource)

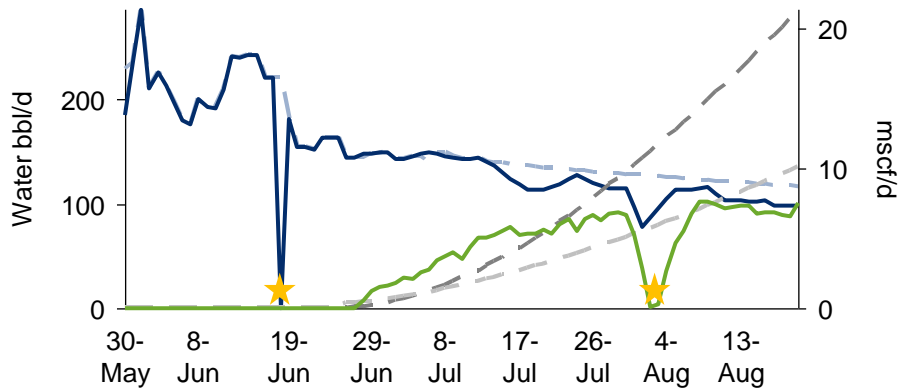
Figure 1: Extrapolated from Surat Basin, Kong (2016). All Gas Content numbers refer to m³ of CH₄ per tonne of coal

Figure 2: Coal Seam Gas Project data sourced from various ASX announcements, company websites and environmental impact assessments.

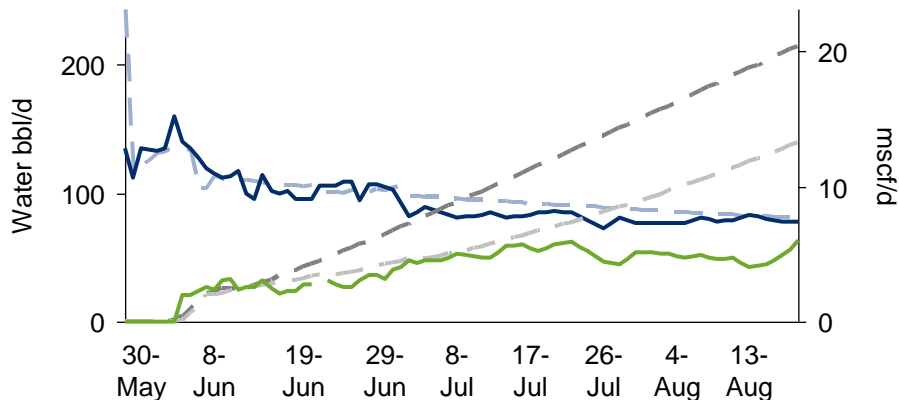
Strike information: Volumes and gas content analysis as per previous company announcements. These volumes are estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) and relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Gas Content Analysis

Klebb 2 Performance Post Recompletion



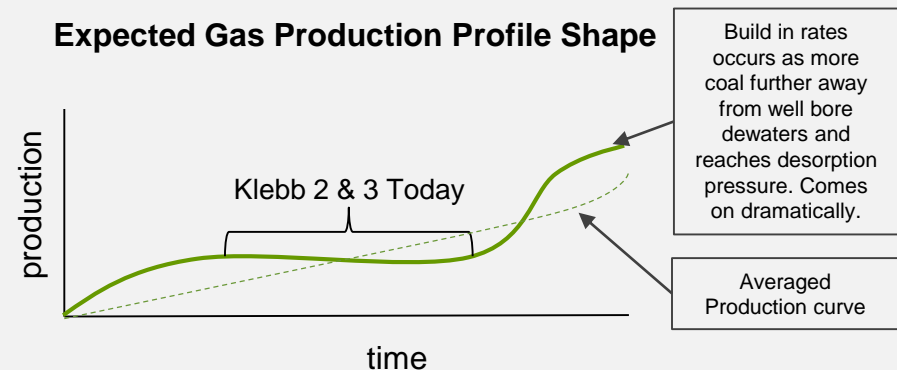
Klebb 3 Performance Post Recompletion



— Water Production (Model) — Gas Production (6.0m³/t Model)
— Water Production (Actual) — Gas Production (Actual)
— Gas Production (6.1m³/t Model)

- Objective of Klebb Beam Pump workovers was to narrow gas content range. Expected between 6.5m³/t and 5.0m³/t.
- Onset of gas production consistent with gas saturation of **6.1m³/t and 6.0m³/t.**
- Regression analysis of the model shows a confidence level in its predictability of greater than 80% to date.
- Gas Rates and gas content are not a direct correlation. Performance in gas rates at Klebb inhibited by design and operational history (*see slide 6*).

Expected Gas Production Profile Shape



Period of significant solids production resulting in downtime

* All Gas Content numbers refer to m³ of CH₄ per tonne of coal

Klebb Lookback – Learnings & Understanding

Suboptimal Klebb Performance - A mixture of operational history and design

Design

- Narrow well bore casing resulting in limited artificial lift choices for water removal.
- Jet pumps chosen to progress project quickly.
- Lack of live downhole gauges and instruments exacerbated trial and error outcome.
- Jet pumps not designed for comingled gas & water. Lead to cavitation and impaired efficacy.

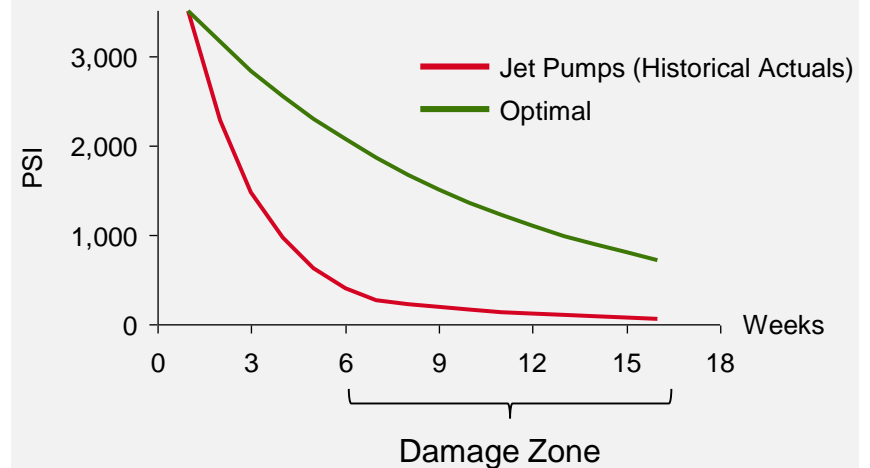
Operations

- Aggressive draw down during Jet pumping not optimal.
- Repeated Jet pumping draw downs from unreliable operational performance compounded effects.
- Multiple stop/starts. K1 = ~6 workovers.

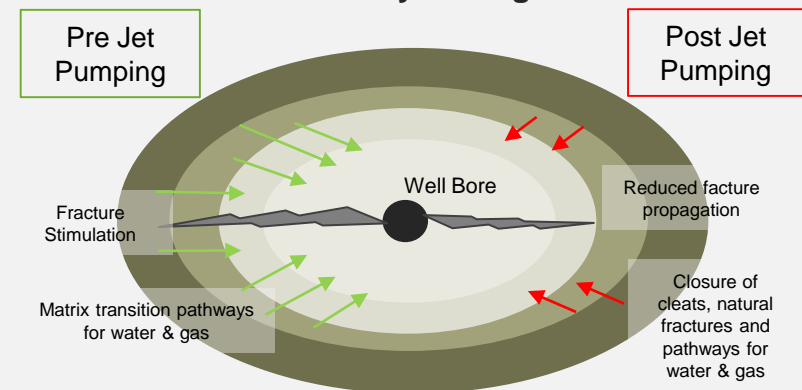
Performance

- Productivity impairment resulting from the above creates 'closure' of cleats and fractures.
- Near wellbore skin caused by formation damage.
- Overall reducing ultimate recovery and speed of increase in production.

Bottom Hole Pressure – Drawdown Profiles



Conceptual Affects from near well bore Permeability Damage



Permeability, Porosity & Water

Water

- Significantly less water in reservoir than expected.
- Resultant from operational metering issues masked by Jet pump injection fluid.
- Jet pump losses through holes in assembly adding to overestimation.
- Recoverable water rates expected to be 1/3 less per cubic meter of coal.

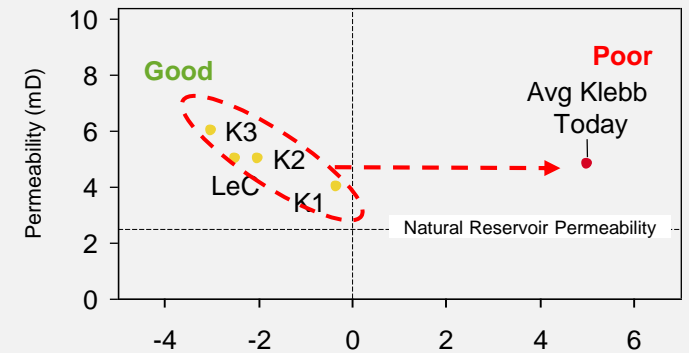
Porosity

- Ability to maintain low bottom hole pressure with Beam Pumps confirms lack of secondary aquifer.
- Potential for slightly lower porosity than first analysed.
- Lower porosity will lead to less recoverable water prior to gas for future wells.

Permeability

- Permeability remains within acceptable range for commercial development.
- +ve skin effects from life of Klebb wells disguises natural permeability of reservoir.

Klebb Well Test Data vs Today's Performance



- Initial Well Test post Frac ● Induced Skin from Jet Pumps

Skin is the measure of communication between well bore and reservoir
(negative is good, positive is bad)

- Performance of gas production of Klebb wells today is incongruent with historical tests post fracture stimulation.
- Klebb wells have developed material skin affecting fracture induced permeability.
- Steady draw down of bottom hole pressures mitigates skin formation

Klebb Forward Plan

Klebb 1

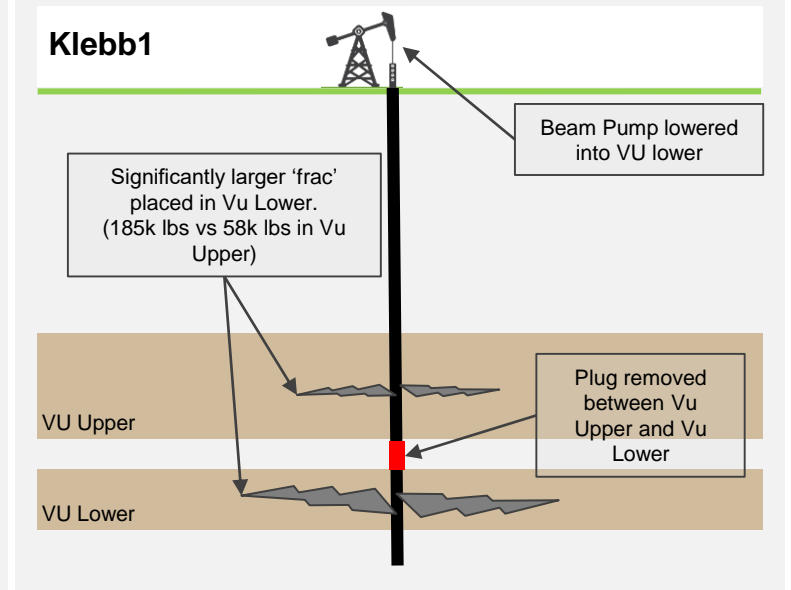
- Mobilise to recomplete Klebb 1 and remove the bridge plug between the VU Upper and VU Lower. Objectives:
 - Vu Lower coal at Klebb is untested so this activity is expected to progress the VU Lower toward technical success; and
 - Potential for contingent resource booking over Vu Lower coal in Q4 2017.

Klebb 2

- Continued production will follow in order to observe matrix shrinkage timelines and magnitude of effect.

Klebb 3

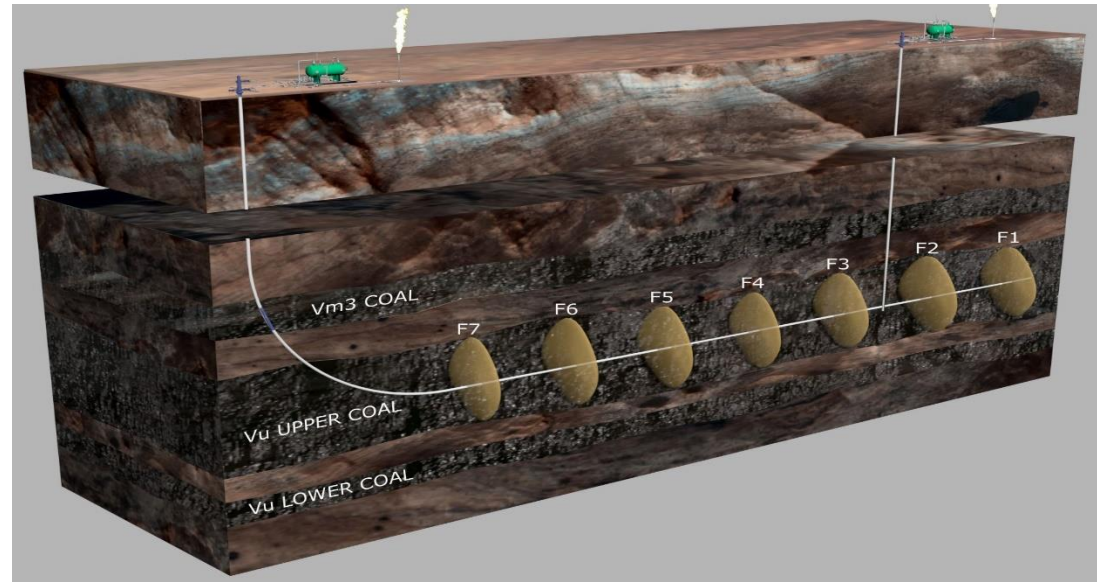
- Permeability and +ve skin magnitude test planned. Will be conducted through the shut in of K3 for 30 days and then restarting in order to observe build-up and bottom hold pressure drawdown characteristics.



The Jaws Project – Jaws 1 Detailed Design

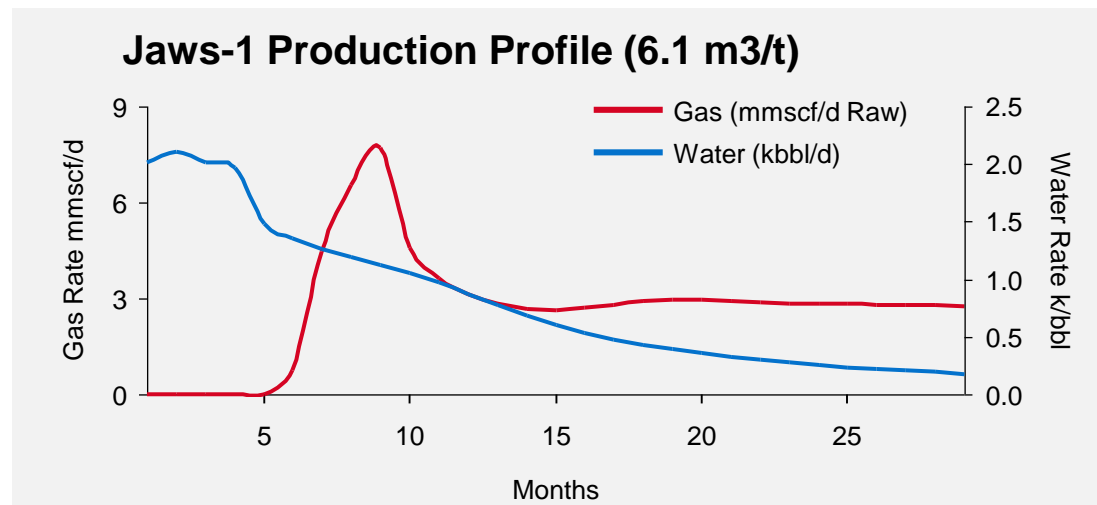
The Jaws-1 production system is designed to enhance natural characteristics of the coal by:

- Improving induced permeability through multi-stage fracturing,
- Increasing production rates via mass communication with the reservoir via horizontal axis, and
- Improving directional engagement to align well bore with natural features (cleating & fracturing) of the coal.



Jaws-1 is a multi objective commercial appraisal and production project that is expected to allow:

1. The booking of an increased prospective resource;
2. The booking of a reserve;
3. Commercial production testing and a midstream FID; and
4. Pressure Coring of the three seams to progress Vm3 & Vu Lower toward their Technical Success.



Progress toward Commercial Success

Strike now has sufficient understanding of its resource and the confidence to progress further appraisal and investment in the Southern Cooper Basin Gas Project toward Commercial Success. Strike will now:

1. Accelerate the Jaws Project planned for Q1 2018, including long lead procurement.
2. Conduct remaining low cost appraisal at Klebb.
3. Prepare the Klebb facilities and civil works for the Jaws project.

Achieving Technical Success is a major milestone for Strike as it pioneers one of the largest undeveloped onshore Eastern Australian Gas Resources.



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Contingent Resource Estimate

DeGolyer and MacNaughton was engaged by Strike to undertake an Independent Review of the gas resource in PEL 96 based on the data and information acquired to date by Strike from the drilling and flow testing programs carried out at the Le Chiffre 1 and Klebb 1, Klebb 2 and Klebb 3 wells.

DeGolyer and MacNaughton has estimated a contingent gas resource on a probabilistic basis for the initial zones that have been flow tested within the Le Chiffre 1 and Klebb 1 wells. As these zones only represent a portion of the net coal encountered at these locations, successful flow testing of additional zones will enable an increased contingent resource to be booked.

The table below summarises the Contingent Resource Estimates.

	Contingent Gas Resource Estimates – PEL 96 ¹		
Well	1C ²	2C ²	3C ²
Productive area (acres)	2,171	2,938	3,931
Le Chiffre 1 – Patchawarra Vu Upper and Vu Lower zones (bcf)	62.9	93.2	132.4
Klebb 1 – Patchawarra Vu Upper zone 9 (bcf)	42.1	62.2	93.3
Total Gross Contingent Resource (bcf)	105.00	155.4	225.7

1. Contingent Resource Estimates have been prepared in accordance with the Petroleum Resources Management System “PRMS”. Contingent Resource Estimates are those quantities of gas (produced gas less carbon dioxide and fuel gas) that are recoverable from known accumulations but which are not yet considered commercially recoverable.
2. 1C, 2C and 3C estimates in this table are P90, P50 and P10 respectively for each well and have been summed arithmetically
3. Net to Strike’s 66.7% interest in PEL 96

Competent Persons Statement

Oil and Gas Reserves Estimation Process

The information in this report that relates to oil and gas resource estimates at 01 June 2017 is based on information compiled or reviewed by Mr A.Farley who holds a B.Sc in Geology and is a member of the Society of Petroleum Engineers. Mr A.Farley is Manager Geoscience for the Group and has worked in the petroleum industry as a practicing geologist for over 15 years. Mr A. Farley has consented to the inclusion in this report of matters based on his information in the form and context in which it appears.

Technical validation Review

Igessi Consulting

Tony Cortis (M.Sc. Geology) who brings over 28 years of industry experience with Shell International. He has extensive technical and delivery experience in all three Unconventional Resource play types: tight clastic, shale and coal bed reservoirs. He has actively worked on CBM projects in the Bowser Basin, the Western Canada Sedimentary Basin and in the Ordos Basin of China.

Mr Cortis consents to the inclusion of his findings and information with relation to his evaluation of the activities and estimates at PEL96.

DeGoyler MacNaughton

The information contained in this release pertaining to the PEL 96 contingent resources estimate is based on, and fairly represents, information prepared under the supervision of Mr Paul Szatkowski, Senior Vice President of DeGoyler and MacNaughton. Mr Szatkowski holds a Bachelor of Science degree in petroleum Engineering from Texas A&M, has in excess of 40 years of relevant experience in the estimate of reserves and contingent resources and is a member of the International Society of Petroleum Engineer and the American Association of Petroleum Geologists. Mr Szatkowski is a qualified petroleum reserves and reservoir evaluator within the meaning of the ASX Listing Rules and consents to the inclusion of the contingent resource estimate related information in the form and context in which that information is presented.