



Strike Energy Limited Quarterly Report Q3-2019

Quarterly Report Q3/19



The Company Announcement Officer ASX Ltd via electronic lodgement

18th October 2019

The Directors of Strike Energy Limited (ASX:STX, **Strike** or **the Company**) are pleased to provide the following report for the quarter ended 30th of September 2019.

Managing Director, Stuart Nicholls, comments:

"The third quarter of 2019 saw Strike deliver on its objectives with the successful drilling and completion of the West Erregulla-2 well. The well was an outstanding success resulting in significant multiple-stacked gas discoveries. The quality and size of these discoveries saw the Company's market capitalisation increase by 350% to over \$440 million during the quarter."

"This quarter will be marked as a major turning point in the Company's history. These discoveries will underpin Strike's future as we continue to unlock the Permian conventional gas fairway throughout our commanding acreage position in the Perth Basin."

Highlights

Perth Basin

West Erregulla

- West Erregulla-2 (WE-2) - three major Permian gas discoveries across the Wagina, Kingia and High Cliff sandstones.
- Kingia gas discovery - the best quality in the Perth Basin to date based on log data. Reservoir characteristics and size have exceeded all pre-drill estimates and expectations.
- Well completed as a producer at 5,100m, making it the deepest well ever drilled onshore Australia.
- Well delivered safely with zero lost time incidents recorded over the 120-day campaign.
- Highly anticipated production test of the Kingia formation to commence shortly.

Cooper Basin

Jaws Appraisal Project

- Gas production has continued to grow steadily during the period with instantaneous gas rates rising up to 50 mscf/d.
- Water production has declined to approximately 300 bbls per day.
- Incremental drawdown of the reservoir based on gas and water response is ongoing with bottom hole pressures now down to 239 psi.

Corporate & Commercial

- Nev Power (ex-Fortescue Metals Group CEO & Managing Director) appointed to the Strike Board of Directors as Non-Executive Deputy Chairman.
- Orica converted their \$2.5 million debt facility to fully paid ordinary shares during the quarter. Strike now finance debt free.

Perth Basin - West Erregulla ('WE')

Strike 50% and operator, Warrego Energy 50%

West Erregulla-2 has been successfully drilled and completed in EP 469. The well encountered three separate, major conventional gas discoveries in the Permian sections of the stratigraphy. These formations included the secondary target in the Wagina sandstone, which is host to the Beharra Springs gas fields only 9 kms to the West. The primary target in the Kingia-High Cliff yielded two large gas discoveries, which were the main objectives of the well and have proven the West Erregulla to Waitsia analogy was accurate.

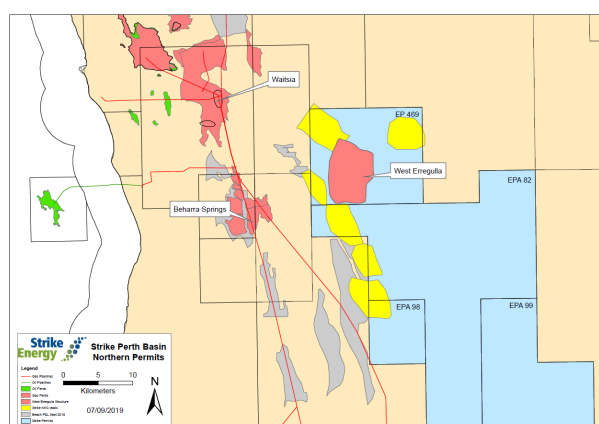
The West Erregulla-2 well was completed at 5,100m in the Holmwood Shale and has had a production completion run with 48m of perforations executed across the Kingia sandstone in preparation for a flow test. A decision to only test the Kingia and to return and test the High Cliff and Wagina in the future was made due to the much thicker than expected net interval of excellent quality gas saturated Kingia sandstones, with the maximum flowrate expected to be constrained by the 3 ½ inch production tubing during the upcoming flow test. The successful and safe execution of this drilling and completion campaign points to the reliable and efficient track record Strike is developing as an onshore upstream operator.

The major characteristics of the three gas discoveries from the well penetrations are as follows:

	Gross Column (m)	Net Column (m)	Avg Porosity (%)	Peak Porosity (%)	Formation Pressure (psia)	Permeability (md)	Percentage of Inert Gases (%)
Wagina¹	79	10	8	14	>6,800	Yet to be measured	Yet to be measured
Kingia²	97	58	12.6	19	6,828	102	< 5.8%
High Cliff³	22	10	10.2	16	>6,800	Yet to be measured	Yet to be measured

**Wagina and High Cliff permeabilities and gas qualities will be assessed in flow tests to be undertaken in the future.*

Post the flow test of the Kingia formation Strike plans to release a Contingent Resource Statement which will look to verify the size of the discovered resource and is already well progressed on the planning and preparation of a proposed appraisal program.



Refer ASX announcement "Wagina Gas Discovery at West Erregulla-2" dated 1 August 2019.

² Refer ASX announcement "Staggering Kingia Gas Discovery at West Erregulla" dated 27 August 2019.

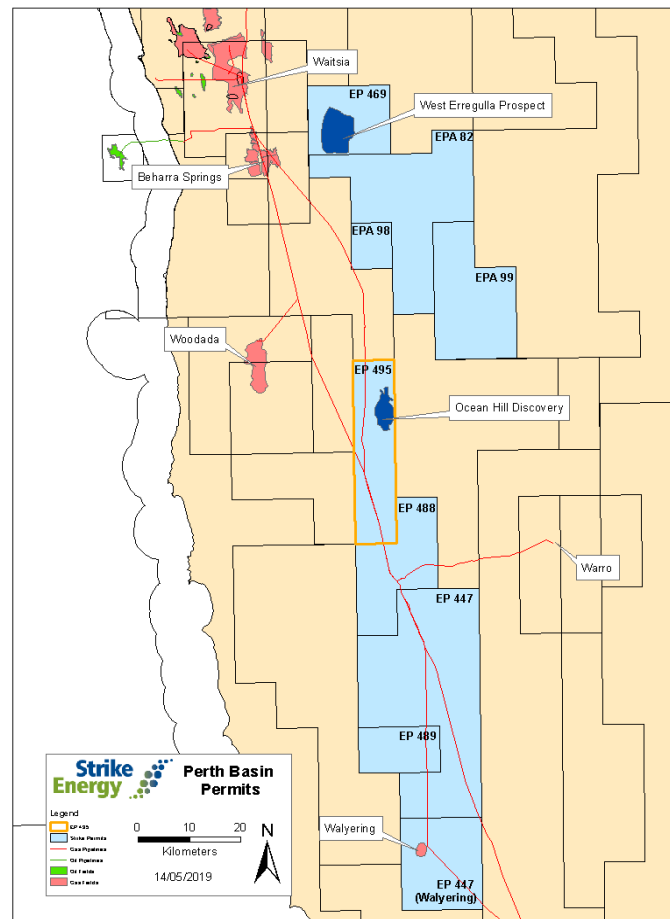
³ Refer ASX announcement "West Erregulla Adds a Further Significant Gas Discovery" dated 6 September 2019.

The discovery of these gas fields at such depth was counter to the traditional understanding of the geology of the Perth Basin. This has proven that excellent quality gas prone reservoirs can be found at depths greater than 3,800m (Waitsia). This has resulted in the opening up of a major gas exploration fairway into the Dandaragan trough where Strike and its neighbours have identified multiple high value quality Permian gas targets. Strike is the registered applicant for three adjoining exploration permits (100%) and is beginning to assess how best to begin exploration operations on that ground following grant of that tenure.

Perth Basin - Other

Strike spent the quarter preparing for 3D seismic campaigns at Walyering (90km²) and Ocean Hill (250km²). These seismic campaigns are expected to be undertaken over the coming 12 months.

Native Title negotiations were also progressed for the three exploration permit applications in the North Perth Basin. Strike hopes to finalise these negotiations by the end of 2019, which would then enable Strike to commence exploration activities in these highly prospective areas.



Jaws Appraisal Project - Southern Cooper Basin

The Jaws-1 project wells are located at the Southern Cooper Basin Gas Project (**SCBGP**) in PEL96 (Strike Operator and 66.67%, Energy World Corporation 33.33%). Pilot operations have been ongoing during the quarter where both water and gas production have continued to trend in a positive direction. Bottom hole pressures of 239 psig were achieved, which has seen instantaneous gas rates reach 50 mscf/d and water rates begin declining to 300 bwpd. The controlled drawdown appears to be progressing well, which is allowing the pressure wave to propagate out from the wellbore without compromising the coal or fracture structure integrity. This can be observed via the sustaining of good water rates and increase in gas production.

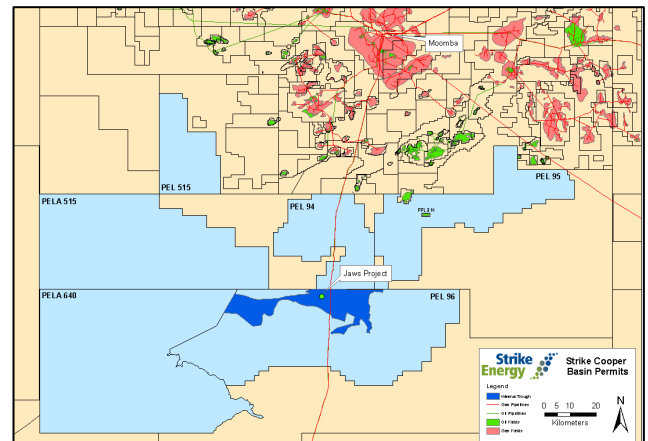
Quarterly Report Q3/19



18th October 2019

The controlled drawdown of the well will continue into the coming quarter and towards the expected desorption window of between 215-225 psig⁴ with the ultimate objective of demonstrating gas flow rates which may support a commercial project.

During the quarter the Klebb shielding wells at K1 & K2 were shut-in due to failures in their beam pump completions. At the time of shutting in these wells they were producing negligible water and gas at a combined water rate of ~100 bwpd and combined gas production of less than a 10 mscf/d. The shut in of these Klebb wells is not considered material to the Jaws piloting operations.



Corporate

During the quarter Nev Power was appointed to the Board of Directors in the role of Non-Executive Deputy Chairman. Mr Power, who is currently the Chairman of both Perth Airport and the Foundation for the WA Museum and is the ex- Managing Director and Chief Executive Officer of Fortescue Metals Group Ltd, is a major addition to Strike's capabilities.

Strike ended the quarter with \$6 million of cash with the West Erregulla drilling program complete. Expenditure during the quarter was centred around the delivery of the West Erregulla-2 well and the continued piloting of the Jaws appraisal wells. Future expenditure will cover the West Erregulla flow test.

Orica Australia Pty Ltd exercised its right under the Loan Agreement between Strike and Orica to convert the \$2.5 million loan made by it to Strike in 2013 to Strike fully paid ordinary shares. With the conversion of Orica's loan, Strike is now finance debt free.

Investor and Media Contacts

Stuart Nicholls

Managing Director

email: stuart.nicholls@strikeenergy.com.au

Media Inquiries

Paul Ryan

Citadel-MAGNUS

Phone: 0409 296 511

Email: pryan@citadelmagnus.com

⁴ Refer ASX announcement "Quarterly Activities Report & 5B" dated 23 January 2019.

Quarterly Report Q3/19



18th October 2019

Petroleum Tenements Held at the End of the Quarter

Permit	Basin	Operator (parent)	STX Interest	Gross Area (acres)	STX Net Area (acres)
PEL 94	Cooper Basin	Beach	35%	222,963	78,037
PEL 95	Cooper Basin	Beach	50%	316,418	158,209
PEL 96 (Jaws)	Cooper Basin	Strike	67%	668,098	444,953
PELA640	Cooper Basin	Strike	100%	821,056	821,056
PEL 515	Cooper Basin	Strike	100%	750,483	750,483
PPL210 (Aldinga)	Cooper Basin	Beach	50%	988	494
EP447	Perth Basin	Strike	100%	201,391	201,391
EP447 (Walyering)	Perth Basin	Strike	100%	72,896	21,869
EP488	Perth Basin	Strike	100%	73,390	73,390
EP489	Perth Basin	Strike	100%	36,572	36,572
EP495	Perth Basin	Strike	100%	73,637	73,637
EPA-82	Perth Basin	Strike	100%	138,626	138,626
EPA-98	Perth Basin	Strike	100%	18,533	18,533
EPA-99	Perth Basin	Strike	100%	92,170	92,170
EP469 (West Erregulla)	Perth Basin	Strike	50%	55,500	27,750

ENDS

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

STRIKE ENERGY LIMITED

ABN

59 078 012 745

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(6,374)	(6,374)
(b) development	-	-
(c) production	-	-
(d) staff costs	(666)	(666)
(e) administration and corporate costs	8	8
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	18
1.5 Interest and other costs of finance paid	(31)	(31)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (cost recoveries from JVs)	575	575
1.9 Net cash from / (used in) operating activities	(6,470)	(6,470)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	300	300
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	801	801
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,101	1,101

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,351	11,351
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,470)	(6,470)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,101	1,101
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	Cash and cash equivalents at end of period	5,985	5,985

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,371	10,690
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (share of JV bank accounts)	1,614	661
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,985	11,351

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
62
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-

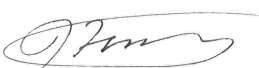
9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	3,968
9.2	Development	-
9.3	Production	-
9.4	Staff costs	668
9.5	Administration and corporate costs	284
9.6	Other (repayment of borrowings)	
9.7	Total estimated cash outflows	4,920

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


 (Director/Company secretary)

Date: 18 October 2019

Print name:Justin Ferravant.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.