

STRIKE ENERGY LIMITED



QUARTERLY REPORT

For the period ending 31 March 2017



Board & Management

- New Board and Management changes occurred on 10th April 2017 with the appointment of John Poynton as Chairman, Tim Goyder as Non-Executive Director and Stuart Nicholls as Chief Executive Officer.

Financial Position Supported

- Strike Energy was awarded \$2 million under South Australia's Australia's PACE Gas Grant Program. The award is to continue operations specifically workovers and de-watering at the Klebb pilot.

Operations

- Minor gas desorption events were witnessed as sustained operations continued at the Klebb pilot in pursuit of further de-pressurisation of the reservoir.



Southern Cooper Basin Gas Project: Operational Update

Southern Cooper Basin Gas Project Highlights

- Klebb 3 gas desorption events from January to March 2017.
- Precipitation of scale in the jet-pumps has hampered gas flows from Klebb 2 and Klebb 3. Klebb 1 is currently unaffected by scale.
- Klebb 2 and Klebb 3 beam-pump workovers to be completed in May 2017.
- No reportable safety incidents occurred during the period.

PEL 96 Quarterly Well Performance (Strike 66.667% and Operator, Energy World Corporation (ASX: EWC) 33.333%)

The Klebb 1 beam-pump maintained its 99% uptime and consistent flowing conditions, no scale has been noted during this time. The consistency of Klebb 1 performance during the March quarter confirms that the well would benefit from re-stimulation and analysis of this option has commenced.

The performance of Klebb 2 has been impeded by the precipitation of scale and production of solids, with uptime reducing to 93% during the quarter. During April and following numerous attempts to remedy the downhole scaling, the well was shut-in to prepare for the conversion to beam-pump in May 2017.

The maintenance of 98% uptime on Klebb 3 during the quarter resulted in relatively continuous but minor gas desorption for more than half of the quarter. The re-initiation of gas flows from Klebb 3 confirms that dewatering has been tracking to plan. However, the concurrent precipitation of scale and production of solids, as reported on 30 March 2017, is impeding our ability to maintain consistent flowing conditions and therefore increase the flows.

Efforts to remedy the scale in Klebb 3 have also been conducted through April and dewatering continued, though at a significantly reduced rate. In recent days the well was also shut-in to prepare for workover operations.

Klebb 4 has remained shut-in during the period, with chemical treatments having been attempted during the period to clear an apparent downhole blockage.

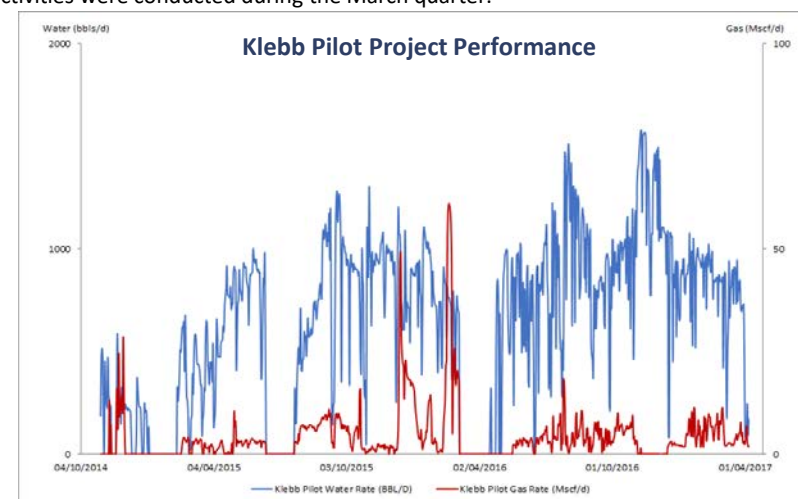
The precipitation of scale in both Klebb 2 and 3, whilst delaying potential 'proof of concept' gas flows, confirms a mechanical restriction is currently preventing progress. Given Klebb 1 has been unaffected by the scale through this period, it is expected to be remedied by the conversion of Klebb 2 and 3 to beam-pump. A workover rig is planned to arrive in the field to conduct the workovers during May 2017.

The impact of the scale precipitation can be observed in the chart of Klebb pilot data, in which water volumes have been somewhat reduced in recent months and gas desorption events more muted than those observed at prior peaks from December 2015 through February 2016.

The limited nature of the recent desorption events reflects the challenges in maintaining consistently low downhole pressures in the jet-pump wells. The historic gas peaks were in turn limited by the maximum injection pressure prior to the last facilities upgrade in April 2016 and also reflect the challenge in maintaining consistent downhole conditions in jet-pump wells during gas transition.

The re-initiation of gas desorption at Klebb 3 from January through early March 2017 is encouraging. History matching the timing of these desorption events continues to support management's previous estimates of gas content and saturation for the coal and the commercial potential of the resource. Further, the precipitation of scale in the jet-pumps indicates mechanical reasons for the gas rates not building as quickly as had been forecast and this is expected to be remedied in the upcoming workover program.

Define phase engineering for a Demonstration Facility was ongoing during the period with vendor proposals due in the June quarter. For all other licenses PEL 94, 95, 515 and PELA640, no activities were conducted during the March quarter.



Chief Executive Officer's Report

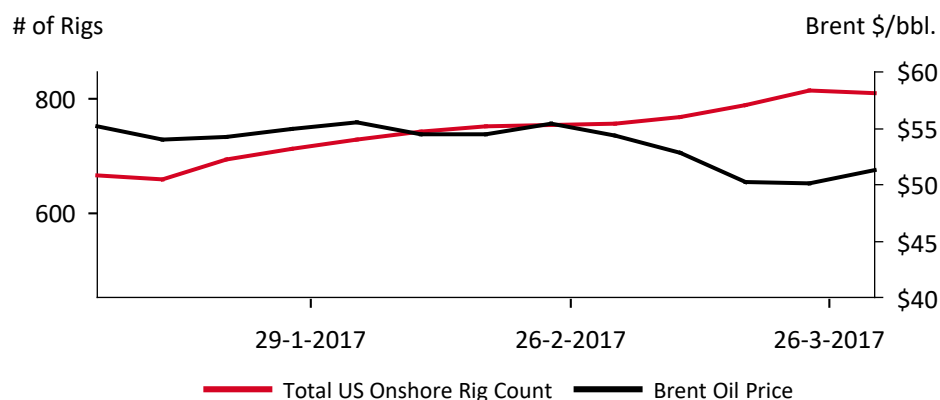
Board and Management Changes

On the 10th of April significant changes occurred to the Board of Directors and Management of Strike Energy Limited. John Poynton and Tim Goyder were appointed as Chairman and Non-Executive Director respectively. I was appointed as CEO in parallel. These changes signal a future operational and performance step change for Strike's portfolio of assets.

Global Energy Markets Linked to East Coast Domestic Gas Pricing

During Q1 global markets saw the Brent oil price sustain \$56 bbl and then later retreat to \$50 bbl norms. This resulted from what is now well understood as the 'price creaming response' of the flexible and rapid turnarounds capable by the US onshore producers. (Please see below) The increased US production by the end of the quarter added to already high inventory levels and was compounded by larger than expected production volumes coming from the OPEC nations.

The quarter's higher oil price translated (amongst other factors) into a USD ~\$7 mmBtu Tokyo Bay LNG price (or AUD \$9.43/GJ), which in turn, due to the linkage between East Coast Australian gas prices and international LNG markers, manifested into a well above average price of wholesale gas in Victoria of \$9.11 / GJ.



Pricing, new demand from the Queensland LNG plants and exceptionally hot weather (Brisbane with a record 30 days consecutively above 30°) caused 'crisis' in the East Australian energy system, as blackouts were felt by South Australians who were enduring 40+° days. The ~450 PJ pa gas shortage across the East Coast and inability for utilities to find a reliable alternative source of electricity, has seen the issue of 'Energy Security' raised to the Prime Minister's Office on several occasions. With analysts predicting that these structural shortages may get worse, Strike Energy has a social imperative to bring its gas resources to market. This coupled with the changes in the energy mix for Australia (reduction in brown coal usage to lower Australia's CO2 intensity) further underpins the robust investment climate for Strike's assets.

Klebb Pilot Validation

The Board and Executive have commissioned an independent Technical Validation of the Klebb Pilot Project in concert with the new management.

The review is designed to validate the underlying data and assumptions from the pilot project, to build further robustness for a credible and investible path forward for the SCBGP. The validation review will be conducted by:

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 Eastern Ordos Basin of China.

And; Temujin Einthal (B.Eng. Chem) has over 12 years in the oil and gas industry in project engineering, commissioning, management, supervision, costing and tendering. Temujin has worked on a wide range of onshore and offshore projects in Australasia, South East Asia and Europe.

I look forward to updating shareholders in due course on the outcomes of the Klebb Pilot Validation and forward plans on how Strike will fully commercialise its high quality upstream assets.

Stuart Nicholls, Chief Executive Officer

Board of Directors

John Poynton (Chairman)
Jody Rowe
Brendan Ostwald
Simon Ashton
Tim Goyder

Corporate Office

120B Underwood Street
Paddington NSW 2021

T: +61 2 9195 5600
E: strike@strikeenergy.com.au
W: www.strikeenergy.com.au

Registered Office

120B Underwood Street
Paddington NSW 2021
T: 61 2 9195 5600

Securities Exchange

ASX: STX

Securities on Issue

Shares: 964,640,299
Options: 1,200,000
Performance Rights: 12,550,000

Analyst Coverage

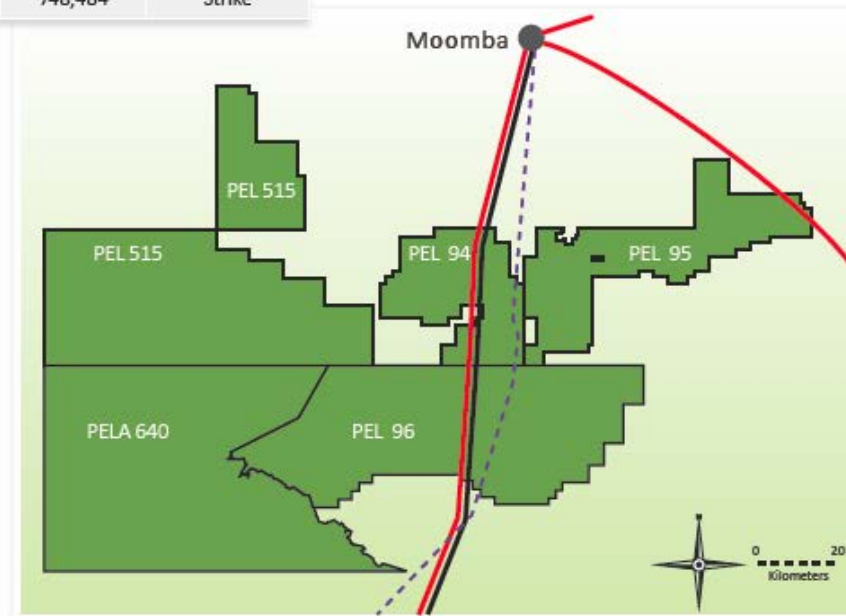
Firm	Analyst
Taylor Collison	Andrew Williams
Euroz	Jon Bishop
Bell Potter	Peter Arden

- Spend for the quarter on operations was \$2.4m which included continued pilot testing at the Klebb facility.
- As announced in March, Strike was awarded \$2 million under South Australia's PACE Gas Grant Program. This award is for discrete works including workovers and further de-watering. This work is underway and our team is currently working with the South Australian Government to finalise the Funding Deed. Payment is expected within 30 days of signing.
- As previously announced, the Company continues to realise annualised savings of over \$700,000 across the operations, engineering and corporate teams. Management continues to be highly focused on cost savings whilst significantly enhancing our depth of experience across key functional areas.
- The joint venture activities continue to be fully funded with any savings as outlined above extending timeframe for the pilot testing activities.
- Completed the disposal of the US production assets with all associated liabilities extinguished as part of the sale.
- As previously announced, discussions continue with Orica to agree a mutually acceptable outcome to align the Orica GSA with the development strategy proposed by Strike for the Southern Cooper Basin Gas Project are continuing, with a revised deadline for those discussions of 31 May 2017 agreed.

The Company completed the quarter with \$5.5 million of cash on hand. Undrawn borrowings in to the R&D facility is \$1.6 million at 31 March.

Strike Energy: Petroleum Exploration License Information

Permit	STX Working Interest	STX Net Acres	Operator
PEL 96	66.67%	443,880	Strike
PEL 95	50%	160,248	Beach Energy
PEL 94	35%	77,925	Beach Energy
PELA 640	100%	850,786	Strike
PEL 515	100%	748,484	Strike



- PEL 96 Phase One Area
- Gas Pipeline
- Oil Pipeline
- Strzelecki Track
- Strike Phase One Area wells drilled
- Strike Wells Drilled
- PEL 96 Offset Wells



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")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	97	752
1.2 Payments for		
(a) exploration & evaluation	(1,826)	(7,653)
(b) development	-	-
(c) production	(158)	(904)
(d) staff costs	(1,018)	(2,703)
(e) administration and corporate costs	152	(324)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	59
1.5 Interest and other costs of finance paid	(25)	(261)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	6,334
1.8 Other (provide details if material)	372	984
1.9 Net cash from / (used in) operating activities	(2,388)	(3,716)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(13)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	1
	(b) tenements (see item 10)	24	67
	(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	23	55

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	4,502
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(27)	(352)
3.5	Proceeds from borrowings	700	2,020
3.6	Repayment of borrowings	-	(4,113)
3.7	Transaction costs related to loans and borrowings	(23)	(109)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	650	1,948

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,205	7,214
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,388)	(3,716)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	23	55
4.4	Net cash from / (used in) financing activities (item 3.10 above)	650	1,948
4.5	Effect of movement in exchange rates on cash held	(3)	(14)
4.6	Cash and cash equivalents at end of period	5,487	5,487

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	2,117	2,325
5.2 Call deposits	-	3,500
5.3 Bank overdrafts	-	-
5.4 Other – Share of JV bank accounts	3,370	1,380
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,487	7,205

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**

226

-

In addition to the respective salary and fee payments made to Directors in item 6.1, during the quarter, the Group also made payments to M H Carnegie & Co Pty Ltd (a director related entity via Mr M Carnegie) under the terms of an office leasing agreement (\$50,156).

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 <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	6,100	4,520
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.		

Lender	Interest rate	Secured/Unsecured	Balance Outstanding at Quarter end
Orica Australia Pty Ltd	Interest Free	Unsecured	A\$ 2,500,000
Commonwealth Bank of Australia	6.095%	Secured against R&D refund from ATO	A\$ 2,020,000

For further details on the Company's financing facilities, please refer to the 30 June 2016 Annual Report.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	3,803
9.2 Development	-
9.3 Production	-
9.4 Staff costs	812
9.5 Administration and corporate costs	97
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	4,712

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	USA USA	Eaglewood JV area Permian Basin JV area	40.0% 25.0%	0% 0%
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:

Date: 26 April 2017

Matthew Montano

Print name:

Notes

1. The current cash balance does not include the \$2 million of PACE funding due to be received in the June quarter. There is also a further \$2.7 million of funding in relation to the R&D incentive.
2. 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.
3. 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.
4. 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.

Appendix A – Petroleum permit and joint venture interests

Australia

Permit / Joint Venture	Location	Registered Holder	Involvement	% Interest
PEL 96	Southern Cooper Basin	Strike Energy 96 Pty Limited	Operator	66.667
PELA 640	Southern Cooper Basin	Strike Energy Cooper Pty Limited	Operator	100.00
PEL 515	Cooper Basin	Strike Energy Cooper Pty Limited	Operator	100.00
PEL 94	Southern Cooper Basin	Strike Energy 94 Pty Limited	Participant	35.00
PEL 95	Southern Cooper Basin	Strike Energy 95 Pty Limited	Participant	50.00
PPL 210	Southern Cooper Basin	Strike Energy 95 Pty Limited	Participant	50.00

United States

Permit / Joint Venture	Location	Registered Holder	Involvement	% Interest
Eagle Landing Joint Venture	Texas	Strike Energy Eagle Ford LLC	Participant	0%
Permian Basin	Texas	Strike Energy Permian Basin LLC*	Participant	0%
Eaglewood Joint Venture	Texas	Strike Energy Wilcox LLC*	Participant	0%

* As announced on 30 December 2016, the Group entered into agreements to dispose its interest separately in the Louise and Permian Basin project areas to third parties. Under the terms of these agreements, the purchaser of the Permian Basin area is to pay consideration of US \$175,000 (which is to be used to reduce the principal under the BlueRock facility), and the purchaser of the Louise project areas would assume in full the remaining obligations under the BlueRock facility. As announced on 13 January, both transactions are now completed with Strike Energy Limited not holding any further interest in US production assets.