



**Strike Energy Limited**  
**Quarterly Report**  
**Q1-2019**

The Directors of Strike Energy Limited (ASX:STX, **Strike** or **the Company**) are pleased to provide the following report for the quarter ended 31<sup>st</sup> of March 2019.

## **Managing Director, Stuart Nicholls, comments:**

*“2019 is set to be a formative year for the company as Strike prepares to deliver major results against its strategic plan from the last 24 months. Outcomes at the Jaws appraisal project in the Southern Cooper and exploration results from the Perth Basin are set to materialise in the upcoming months. Positive conclusions at either or both projects could see the company transition from ‘small-cap’ to ‘mid-cap’ status. Underpinning resilience in Strike’s business is additional exploration and appraisal programs outside of the two flagship projects which have the potential to generate valuable outcomes in the second half of 2019.”*

## **Highlights**

### **Perth Basin**

#### **West Erregulla**

- West Erregulla-2 (WE-2) on track for spud in May 2019.
- WE-2 will target three intervals, with a total gross prospective resource best (P50) estimate of 1.16 TCF & 7.19mmbbls of oil<sup>1</sup>.
- Well site preparation complete and major regulatory approvals are in place.

#### **Other**

- The Walyering Gas Field 3D seismic campaign is set for execution over the coming quarter.
- EP488, 489 and 495 seismic commitments postponed via suspension and extensions.

### **Cooper Basin**

#### **Jaws Appraisal Project**

- Workover completed successfully.
- Gas production has been restored.
- Water production continues at 400-500 bbls per day.
- Depressurisation to critical desorption pressure is on track with bottom hole pressures at ~560 PSI.

#### **Other**

- Looking to farm-out at PEL515 to progress 3D seismic operations in 2H2019/1H2020.

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<sup>1</sup> The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates are unrisks and 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. The Prospective Resource volumes are as of 20 December 2018 and 10 February 2019 (Cattamarra Oil), as announced to ASX on 5 March 2019. The Company is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply. STX interest in West Erregulla 2 is 50%

## Corporate & Commercial

- Strike is in advanced discussions on multiple commercial transactions to provide Strike with the finance required to deliver on its Jaws and West Erregulla planned outcomes.
- Renegotiated the extension of the existing CBA R&D facility.

## Perth Basin - West Erregulla ('WE')

*Strike 50% and operator, Warrego Energy 50% non-operator*

All geological and geophysical works are now completed for the portfolio defining West Erregulla-2 (WE-2) campaign. Two additional horizons that may contain material hydrocarbons were identified during the quarter. These include an oil target in the Cattamarra formation and a secondary gas target within the basal Wagina sandstone. These additional targets will be penetrated by the WE-2 well en-route to the primary major gas sands in the Kingia-High Cliff. The total gross prospective best (P50) resource estimate for WE-2 stands at 1.16 TCF of original gas in place and up to 7.19mmbbls of oil in place<sup>2</sup>, as announced to the ASX on 5<sup>th</sup> of March 2019. Due to the high confidence in the primary Kingia-High Cliff target, Strike will drill and complete the well as a future producer.

During the quarter Strike broke ground on the civil works and drill pad preparation required for the West Erregulla-2 well. These works were recently completed. The site is now ready to receive the Easternwell 106 rig when it arrives in May. The rig is currently drilling for another operator in Queensland and its arrival is subject to the completion of this campaign. Spud is currently estimated to occur in late May. Strike also received its 'permission to drill' permit from the State Government and Regulator.



<sup>2</sup> STX interest is 50%. Refer to cautionary statement in footnote on page 1 of this announcement.

Strike's drilling and completions team have been working with its major contractors Easternwell, Schlumberger and Baker Hughes on operational readiness and rehearsal exercises. Strike has used all offset well information available to design, procure and execute a successful well. Excellent offset data from the West Erregulla-1 well (1990) drilled above the structure shows good consolidation of some of the deeper formations which have presented historical drilling challenges to other operators in more shallow horizons towards the coast. Strike has designed its well with a four-casing string design so that a second intermediate section can be cased off quickly before proceeding to the deep Kingia-High Cliff primary objectives and so as to avoid having a long section of open hole for an extended period of time.

During the quarter Strike fielded several questions from investors on Strike's chance of success for the discovery of commercially recoverable hydrocarbons in the Kingia and High Cliff formations. Strike assesses this chance of success at 69%, which is uplifted from a 'base state' probability of ~25%. Strike has been able to improve confidence in each risk factor (charge, reservoir, seal & trap) through interpretation of offset field and well data, and advanced interpretation of the recently reprocessed West Erregulla 3D seismic survey. Some of the key pieces of evidence for each risk factor are listed below:

**Charge:** the model for charge at Waitsia is that the Kingia-High Cliff is charged via the overlying Irwin River Coal Measures. This charge story is the same for the Dongara sands, so the presence of charge in the Dongara has a direct relationship to charge in the Kingia. West Erregulla-1 (WE-1) confirmed the presence of gas in the Dongara at West Erregulla when it penetrated and flowed gas to surface in 1990 (this was the same for Waitsia). The gas that flowed to surface was 98.5% methane and this indicates high confidence that the structure is charged with hydrocarbons.

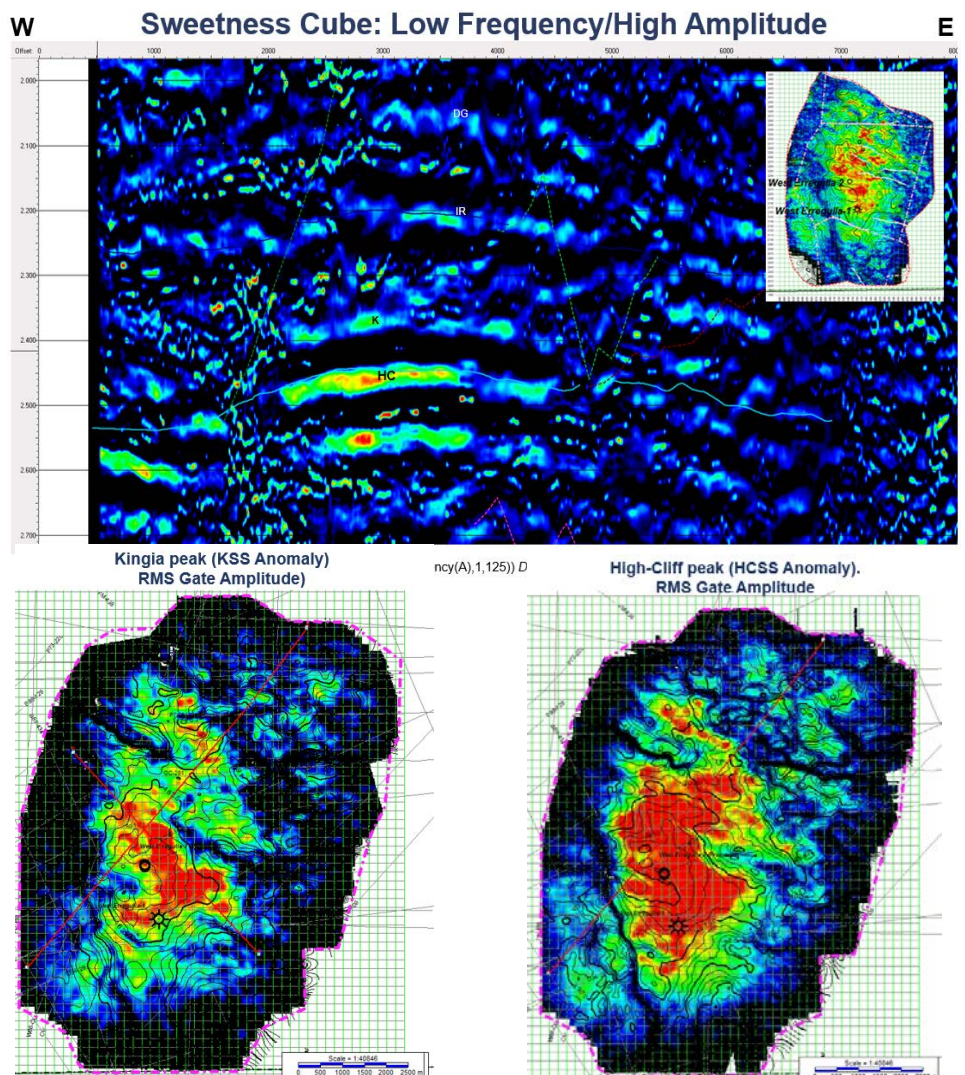
**Seal:** overlying tight gas silts of the Irwin River Coal Measurers in Waitsia are either trapping or sealing. No shale is consistently seen or required from AWE's analysis. A definitive seismic soft loop seen on the WE seismic above the Kingia is suggestive of shale facies that would act as a seal. Also above the main Kingia sand is the Dongara tight sandstones, their presence and production proven via the WE-1 well is an indirect indicator of trap and charge and therefore also seal.

**Trap:** West Erregulla's proposed fault seal and rollover anticline is proven to work at Waitsia (identical trapping geometry). Multiple direct hydrocarbon indicators in the form of flat spots are evidenced on the seismic data which can be seen on the full stacks, far stacks and particular via optic stacking. Structurally conformable amplitudes show a clear shut off which improves the interpretation of effective trapping.

**Reservoir:** Due to the depth of WE, reservoir is the key risk. Local data and global geological analogues indicate this risk is not as substantial as some perceive. Local offset data shows that of all 12 penetrations of the Kingia (on and offshore) 54% of them found porous sandstones in excess of 12% porosity. When you exclude the offshore wells from that sample (as they were not placed in the trough and subject to the poro-perm inversion from the clay (chlorite and illite coatings and therefore anti-diagenetic processes), that number rises. The evidence stands that as you move basin-ward towards the south-east (into the trough which is the depo-centre and focal point of this play) the better reservoir quality gets. i.e. Waitsia-4 the deepest and most eastern Waitsia well, had the highest flow rate and was reported to have the best quality reservoir. Secondly, Irwin-1, the furthest eastern penetration of the Kingia, found the deepest high quality Kingia to date. Flat

spots which are interpreted as the gas water contacts are seen in the seismic and would not develop in low porosity rocks. This is direct geophysical evidence of good quality reservoir. This is further supported by the rock physics and wedge models, which indicate reservoir effects are indeed able to be imaged on seismic. Therefore, shales or other stratigraphy's would not show amplitudes conformable to structure as seen in West Erregulla. For third party validation of the extension of good quality reservoir deeper into the basin, Beach Energy are drilling 800m deeper than Waitsia (to 4,500m) looking for the same quality Kingia-High Cliff targets under Beharra Springs and also shooting 3D over Kingia-High Cliff leads which are deeper than West Erregulla. All of this activity is to the South East of Waitsia and further South than WE. Global geological analogues for clay coated sands creating poro-perm inverted plays are in fact common around the world and particularly at depths that are deeper and environments that will be hotter than West Erregulla. (pressure and temperature regime well defined by WE-1). Global analogues from the North Sea, the Gulf of Mexico and offshore Nigeria are common and prolific examples of this.

Strike has confirmed that amplitudes seen at the Kingia-High Cliff levels in the West Erregulla 3D are indeed reflections of the geology and not artefacts of fold in the data. This is confirmed by the normalisation of amplitudes across multiple horizons and that the amplitudes at the KHC in the 3D volumes are reflected in the regional 2D lines that cross the target. The structural conformance of these amplitudes is an important data point when looking at the analogous nature of Waitsia. Original data quality over Waitsia was very poor due to age of the 3D seismic and statics issues wiping out the deeper amplitudes. Strike has conducted work over the Waitsia seismic to show that these amplitude patterns and structural conformance are in fact a positive correlation between the presence of porous gas charged sands in both Waitsia and West Erregulla.



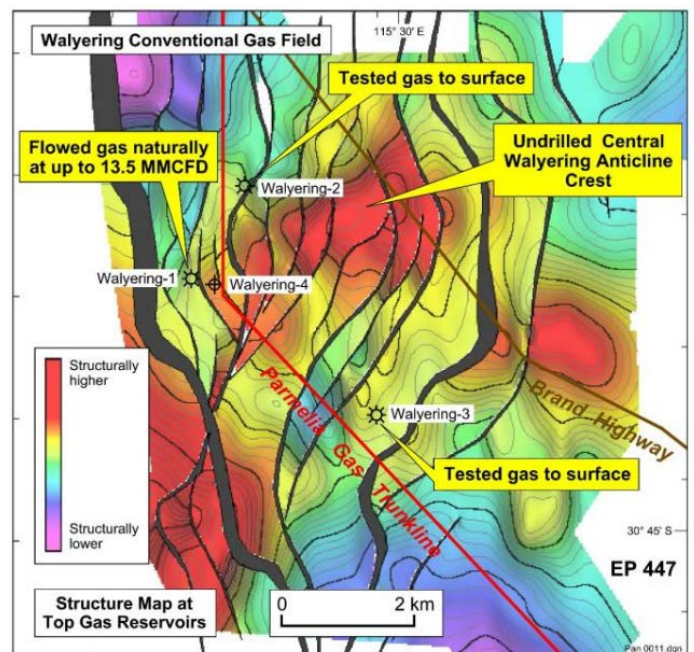
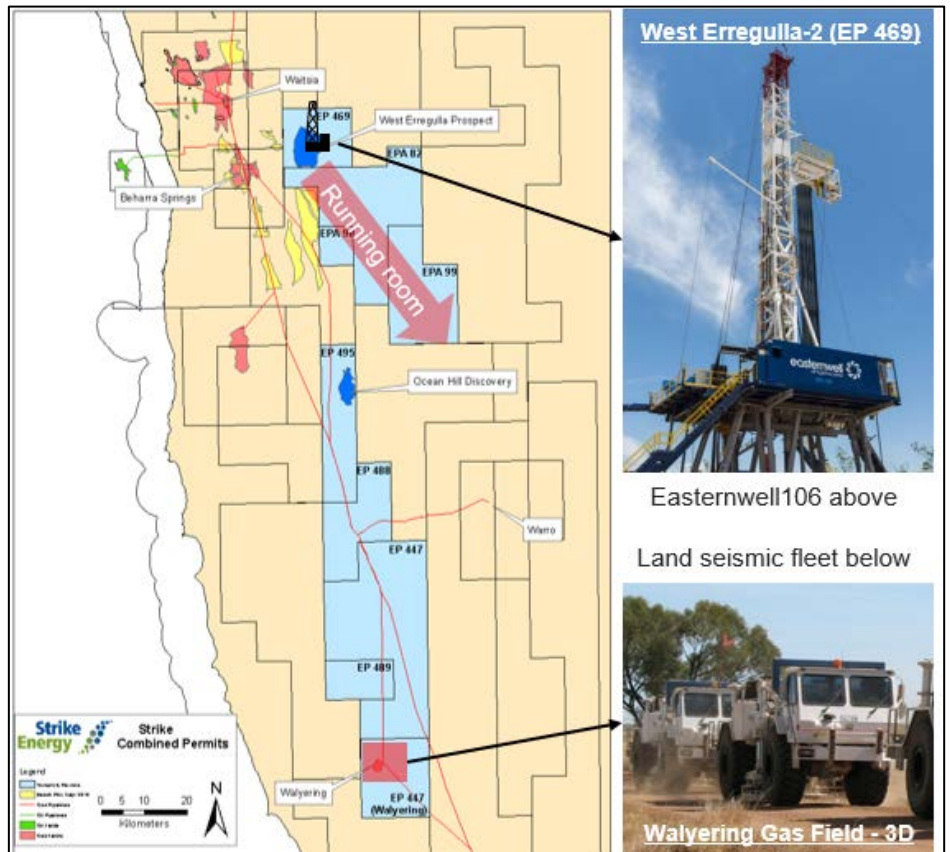
## Perth Basin - Other

Strike with Pancontinental (ASX:PCL) are preparing to shoot the Walyering 3D seismic campaign. Pancontinental are carrying Strike to shoot, process and interpret 90km<sup>2</sup> of 3D seismic with the objective of delineating undrilled compartments of the gas field that was discovered in the 1970s. Pancontinental will earn a 70% interest in Walyering and operatorship on completion of the seismic campaign. The seismic campaign is expected to begin in the second quarter with processing and interpretation to occur in the second half of 2019.

The Walyering gas field has a P-Mean (gross) estimate of 100 BCF with 2.5mmbbls of associated condensate<sup>1</sup> and is located underneath the Parmelia Gas Pipeline. Should the geophysical works indicate the presence of hydrocarbons in the central compartments the field will provide a very near-term development option for Strike as Walyering will be ready for additional production / appraisal wells shortly after.

Strike has completed works with the regulator and as a result has placed the EP488, 489 and 495 permits into suspension and extension. These suspensions and extensions are likely to stay in place until such time that the new legislation, regulations and policies resulting from the recommendations of the 'Scientific Enquiry' are in place.

<sup>1</sup> Transfer of operatorship of EP447 (Walyering) is subject to Pancontinental Oil and Gas NL (Pancontinental) exercising its farm-in right and completing the obligations as per the farm-in agreement. On satisfaction of the farm-in obligations, a 70% interest in Walyering will be transferred to Pancontinental

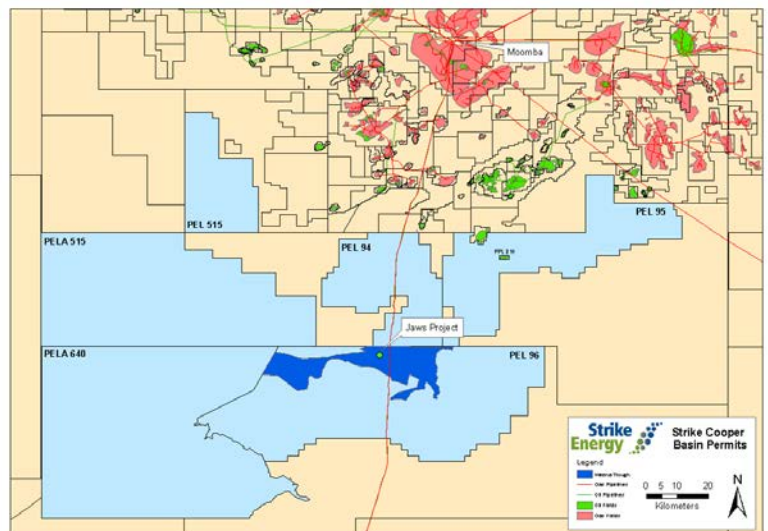
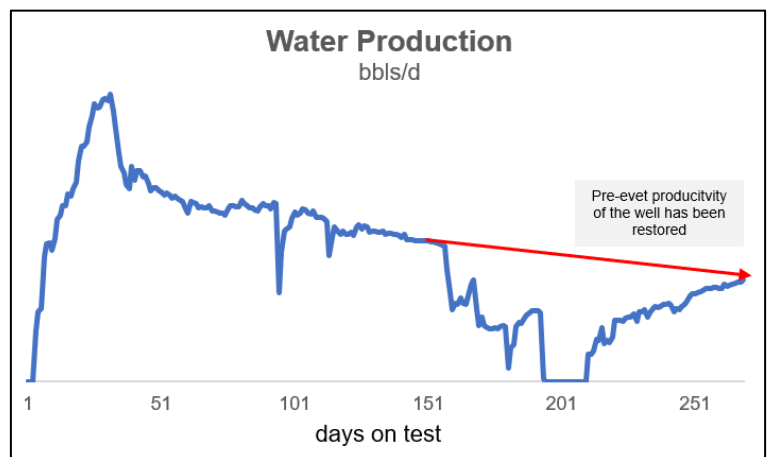


## Jaws Appraisal Project - Southern Cooper Basin

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%).

During the quarter Strike made good progress towards its objective of proving the commerciality of the Patchawarra coals but also suffered an operational setback requiring well intervention. A gas surge on new year's day at a bottom hole pressure of ~225 PSI was recorded as the highest instantaneous gas rate achieved to date. This surge coincided with a downhole event that resulted in one of the fractures releasing substantial proppant into the well bore. After several attempts at rig-less intervention Strike mobilised a workover rig and coiled tubing unit and cleaned out the blockage. Since restablising normalised production operations Strike has recommenced gradual draw down to bring the bottom hole pressures of the wells to the point which generated the event in January. Surface facilities and operational methodologies have been reconfigured to maintain the production at these pressures.

Currently the BHP of the Jaws well bores are sitting at ~560 PSI and Strike expects to achieve the desired bottom hole conditions required for critical desorption and sustained gas production late in the second quarter. Water production has returned to pre-event levels indicating that not damage to the wells productivity has occurred and the event in early January has not compromised the potential final outcome.



## Cooper Basin - Other

Strike is currently seeking interest from parties looking to farm into PEL515. PEL515 is at the southern extension of the 'Western Flank Oil Fairway'. In the block adjacent to PEL515, Senex have just completed the Westeros 3D campaign covering 600-700km<sup>2</sup>. Oil migration pathways from the North East are interpreted to extend into PEL515 and several leads seen on the reprocessed regional 2D seismic lines may be oil bearing. Strike is looking to secure a partner to shoot 100-200km<sup>2</sup> of 3D seismic in late 2019 to early 2020 to confirm charge before proceeding with drilling operations.

## Corporate – Commercial

### **Southern Cooper Basin Gas Project - Research & Development**

During the quarter Innovation and Science Australia's (ISA) advised that their internal review has confirmed its original decision to deny the registration for the FY16 in respect of which the Company received \$6,333,638 by way of R&D tax incentive for that period. Strike has lodged an application to appeal the decision with the Administrative Appeals Tribunal along with a request for stay order.

Retrospective action of this type raises the view of sovereign risk in the country. This particular case is counter to the Government's stated aim of encouraging the discovery and development of new supplies of natural gas into the east coast of Australia. Without new supply the deepening energy crisis is likely to become more pervasive and result in further destruction of jobs in secondary industries which are reliant on the sustainable supply of affordable gas. Strike has three major manufacturing customers in Orica, Orora and Brickworks who have supported the company in its pioneering efforts at the Southern Cooper in order to secure new supply from a market which is critically short. For the Government to add additional pressure on the continuance of financing such an important project is against the national interest.

Based on opinions from the industry and academic experts, Strike is extremely confident of its position and the validity of its activities as compliant R&D. Strike will vigorously fight the finding of the ISA through the full appeals process and intends to deploy all resources it has as its disposal to do so

Strike is still awaiting the findings with regards to its review of the proposed \$6.3 million R&D tax incentive registration associated with the expenditures on the Jaws project from the 17-18 financial year. Strike expects this to be delivered in the near term.

### **Commonwealth Bank R&D Facility**

Strike renegotiated the extension with CBA for the \$5.3 million R&D facility that was underpinning the Jaws R&D tax credits. Repayment will occur over several months with the remaining balance due at the end of June, as per the announcement on the 28<sup>th</sup> of March 2019.

## Corporate – Financial

Strike ended the quarter with \$7.2 million of cash on hand. Strike is in advanced discussions on multiple fronts to deliver transactional outcomes which will yield the required capital in the timeframes needed to deliver the planned outcomes at both Jaws and West Erregulla 2 and to satisfy its working capital requirements. Further details of these transactions will be announced by Strike once the transactions are suitably progressed and in accordance with its continuous disclosure obligations.

Expenditure for the quarter was centred around the Jaws workover and the delivery of the West Erregulla-2 well program.



## 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	Pancontinental	100% <sup>3</sup>	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**

### Investor and Media Contacts

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## 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 2019**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(3,418)	(9,698)
(b) development	-	-
(c) production	-	-
(d) staff costs	(237)	(636)
(e) administration and corporate costs	(238)	(1,018)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	44	64
1.5 Interest and other costs of finance paid	(123)	(373)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (cost recoveries from JVs)	243	823
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,730)</b>	<b>(10,839)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(51)
(b) tenements (see item 10)	-	-
(c) investments	(545)	(860)
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
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)	3	10
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(542)</b>	<b>(901)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	17,111
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	(8)	(1,099)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(8)</b>	<b>16,012</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	11,518	2,972
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,730)	(10,839)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(542)	(901)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8)	16,011
4.5	Effect of movement in exchange rates on cash held	(2)	(7)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,237</b>	<b>7,237</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	7,184	5,713
5.2 Call deposits	-	5,000
5.3 Bank overdrafts	-	-
5.4 Other (share of JV bank accounts)	513	805
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,237</b>	<b>11,518</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	48
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	

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
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	

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7,765	7,765

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.

Lender	Interest Rate	Secured/Unsecured	Balance Outstanding at Quarter End
Orica Australia Pty Ltd	5.80%	Unsecured – convertible note	A\$2,500,000
Commonwealth Bank of Australia	BBSY plus 4.75%	Secured against R&D refund from ATO	A\$5,264,650

As outlined in Strike's Quarterly Report, Strike has entered into discussions regarding procurement of finance to fund operations. Any transactions to procure capital will be announced by Strike once the transactions are suitably progressed and in accordance with its continuous disclosure obligations.

**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1	Exploration and evaluation	6,343
9.2	Development	-
9.3	Production	-
9.4	Staff costs	238
9.5	Administration and corporate costs	162
9.6	Other (repayment of borrowings)	5,528
<b>9.7</b>	<b>Total estimated cash outflows</b>	<b>12,271</b>

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: 29 April 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.