

The Company Announcement Officer
ASX Ltd
via electronic lodgement

SOUTHERN COOPER BASIN GAS PROJECT UPDATE

- **Commencement of Pilot Production Test Project (PPTP) Phase 1**
- **Gas Sales Agreement executed with Orica and increased to 250 PJ**

Strike Energy Limited (ASX:STX) is pleased to announce the following significant milestones in the commercialisation of the Southern Cooper Basin Gas Project (SCB Gas Project) within the PEL 96 permit area (STX 66.67% and Operator, Energy World Corporation (ASX:EWC) 33.33%).

SOUTHERN COOPER BASIN PRODUCTION TESTING PROGRAM

Following the successful completion of the recent PEL 96 appraisal drilling program, Strike announced on 19 February 2014 an upgrade of the PEL 96 estimated prospective resource Pmean of 4.5 Tcf net to Strike (estimated recoverable sales gas).

PEL 96 is a significant component of Strikes' SCB Gas Project and Strike is focused on the rapid commercialisation of a portion of the resource within the Phase One Area of the permit (see Map 1). This 141km² area is centered directly under the Moomba to Adelaide Gas Pipeline (MAPS) which connects the resource to the Eastern Australian gas markets.

Having successfully completed required planning and procurement activities, the PEL 96 Joint Operating Committee has committed to proceed with the first phase of the Pilot Production Test Project (PPTP). This first phase of the PPTP will involve a multi-stage fracture stimulation of the target Patchawarra coals in each of the Le Chiffre 1 and Klebb 1 wells. Following fracture stimulation, the wells will be completed to enable flow and extended production testing to be undertaken.

In addition, the PEL 94 Joint Venture (STX 35%, Beach Energy Ltd (ASX:BPT) 50% and Operator, Senex Energy Ltd (ASX:SXY) 15%) has committed to fracture stimulation and extended production testing of the Patchawarra coals in the Davenport 1 well. The Davenport 1 well is in the adjacent permit to PEL 96. These three wells across PEL 96 and PEL 94 will be fracture stimulated back to back in a coordinated program.

Fracture stimulation operations are scheduled to start during May with initial flow results anticipated to be available during July 2014.

The initial goal of the first phase of the PPTP program is to demonstrate that the Patchawarra coals in PEL 96 are capable of sustained gas flows to surface.

Concurrent with the above, Strike is planning an expanded program of activities which will include the drilling, stimulation and production testing of additional wells within the PEL 96 permit area.

The acceleration of the drilling program advances Strike's objective for the rapid commercialisation and development of its SCB Gas Project.

ORICA GAS SALES AGREEMENT (GSA)

In July 2013, Strike announced the signing of a binding term sheet with Orica as the foundation customer for the SCB Gas Project. This watershed event was the first in a series of innovative risk-sharing agreements with major industrial gas consumers.

Strike and Orica have now executed a full Gas Supply Agreement (GSA) which:

- Adds a further 100PJ to the 150PJ agreed in July 2013 for a total prospective gas supply of 250PJ
- Contemplates total potential funding of \$52.5m, comprising:
 - up to \$47.5m by way of elective prepayments for gas that align with project development milestones; and
 - up to \$5m in shares as outlined further below.

The timing and quantity of the gas which could be supplied to Orica reflects a balanced risk and reward profile for both parties that incorporates a portfolio of production-cost based, fixed/indexed and market linked pricing.

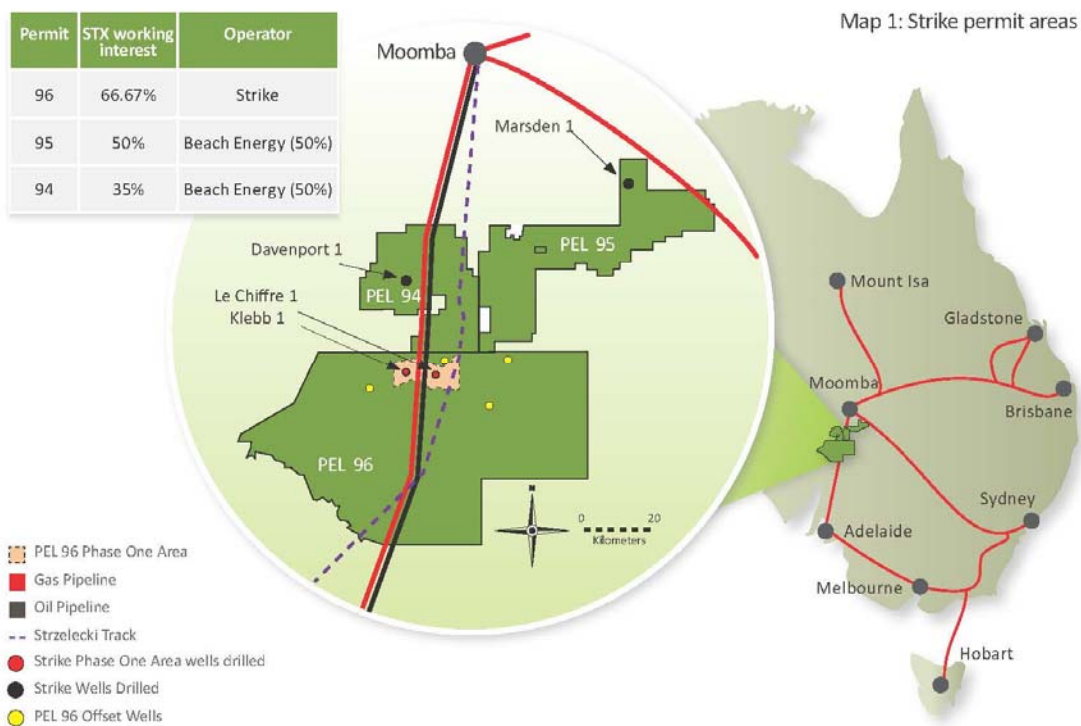
The value of the gas expected to be supplied under the GSA over the term of the agreement should be substantially in excess of \$1 billion, with initial gas supply anticipated to commence in 2017.

PLACEMENT

Strike and Orica have also entered into a Placement Agreement. Under the terms of the Placement Agreement, subject to STX shareholders' approval, Orica will subscribe for STX shares at \$0.12 per share raising proceeds of \$2.5 million. This issue represents 2.49% of Strike's share capital, after taking into account Strike's recent \$12.7 million placement as announced on 13 March 2014.

In addition, Strike will grant an option to Orica, also subject to STX shareholders' approval, to acquire an additional \$2.5 million worth of shares to be determined with reference to the higher of \$0.12 per share and the 10 day VWAP immediately prior to the exercise date discounted by 10%. Orica may elect to exercise this option following three months of production testing from the first phase of the PPTP.

Strike expects to convene an Extraordinary General Meeting (EGM) on or before 31 May 2014 to approve the issue of shares under the Placement Agreement and, if the option is exercised by Orica, under the option agreement.



MANAGING DIRECTOR QUOTE

Managing Director, David Wrench said:

"The formal commencement of the next phase in the rapid commercialisation of the SCB Gas Project and the finalisation with our foundation customer, Orica, of one of the largest industrial gas supply agreements since the commencement of gas production in the Cooper Basin, are pivotal events positioning Strike as an emerging supplier to east coast gas markets.

We are now advancing an expanded drilling program enabling Strike to test a number of wells simultaneously giving us better insight into well productivity and recoveries to enable us to optimise the ultimate production plan.

With a favourable combination of high resource concentration, modest expected well capex and the absence of dewatering costs we believe that Strike's dry/gas saturated coals are potentially in the sweet spot for gas play economics in the Cooper Basin. By entering into the GSA, Orica has recognised the value that a major new supply of gas will bring to east coast consumers.

We will be delighted to welcome Orica as a new shareholder following the anticipated approval by Strike's existing shareholders at the forthcoming EGM."

Yours faithfully

A handwritten signature in black ink, appearing to be "DW", with a long horizontal line extending to the right.

David Wrench
Managing Director

For further information please contact David Wrench (Managing Director) on +61 2 9397 1420