

The Company Announcement Officer
ASX Ltd
via electronic lodgement

SOUTHERN COOPER BASIN OPERATIONS UPDATE

- **Frac operations highly successful**
- **Coals demonstrate exceptional permeability with very high flow potential**
- **Gas saturation yet to be determined**

Strike Energy Limited (ASX:STX) ("Strike") is pleased to provide an update regarding fracture stimulation and flow back operations at the Le Chiffre 1 and Klebb 1 wells.

FRACTURE STIMULATION OPERATIONS

Frac operations at both wells have been successfully completed with the details of the stages pumped at each well summarised below.

Le Chiffre 1					
Stage	Target seam	Depth to top of seam	Net Coal	Fluid pumped	Proppant pumped
1	Patchawarra Vu Lower	1,955m	15m	1,400bbls	118,000lbs
2	Patchawarra Vu Upper	1,900m	35m	5,000bbls	460,288lbs

Klebb 1					
Stage	Target seam	Depth to top of seam	Net Coal	Fluid pumped	Proppant pumped
1	Patchawarra Vu Lower	2,078m	16m	2,300bbls	187,500lbs
2	Patchawarra Vu Upper	2,018m	34m	460bbls	59,000lbs

The second stage of the frac program at Klebb in the thick Patchawarra Vu Upper seam was redesigned to be less than 10% of the size of the stage pumped in Le Chiffre as a result of the unexpectedly high permeability and productivity observed at Le Chiffre (refer below).

FLOW BACK AND TESTING OPERATIONS

Following completion of the large second (upper) frac stage at Le Chiffre, the well began flowing back unassisted and 2,700 bbls of fluid was recovered at high flow rates (up to 5,000 bbls per day) before commencing coil tubing operations including circulating fluid and pumping nitrogen to clean the wellbore and artificially lifting fluid out of the well during which a net 2,500 bbls of fluid was recovered.

Overall, approximately 5,200bbls of fluids have been produced from Le Chiffre over approximately three days of combined flowing time. The well is currently shut in and pressure build up is being observed.

Analysis of the fracture stimulation jobs pumped and the flow back rates and pressures observed so far indicate that the coals at Le Chiffre have an average permeability of up to 25 mD. These are exceptional permeabilities for coals at these depths and are significantly greater than our pre-test expectations.

The high formation permeability and the size of the fracs pumped in Le Chiffre have resulted in very high fluid productivity from the well. In turn, the substantial fluid inflows mean that, at this early stage, we are yet to reduce the formation pressure sufficiently to initiate sustained gas production to surface. We will continue to monitor the well and review the samples and data collected to date so that planning for the next stage of testing can be completed.

Flow back operations at Klebb commenced yesterday from the Vu Upper stage only, with high initial flow rates (up to 3,000 bbls per day) being observed. The well is currently shut-in for a pressure build-up test and flow testing will continue using coil tubing nitrogen lift over the next few days. Very preliminary analysis of data from Klebb suggests that the Upper Vu seam has high permeability although not as high as observed at Le Chiffre.

PRELIMINARY OBSERVATIONS

Permeability

The coals at Le Chiffre have high permeability (up to 25 mD) which, combined with 50 – 60m of net coal thickness in each well, result in very high productivity as demonstrated by the flow rates observed. We had expected to encounter a low permeability reservoir system (around 0.1mD) with correspondingly low productivity. It appears, however that the coals at both wells only require minimal stimulation to flow at high rates.

These permeabilities have fundamentally altered our understanding of the reservoir system which has demonstrated exceptional deliverability capacity.

Gas Saturation

We have not seen evidence of free gas flow to surface to date. Further flow testing and laboratory analysis of the water and gas samples collected is required to better understand these observations.

We view the coal's surprisingly high permeability as very positive, however, further flow testing will be required to realise gas flows to surface. The implications of these observations are being factored into the planning of the upcoming drilling program and next stage of testing.

MANAGING DIRECTORS COMMENT

"We have successfully achieved a number of objectives at this early stage of the testing program with the execution of the frac program. We have been positively surprised by the relatively high permeability of the coals and are currently planning the next stage of testing to obtain a full understanding of the potential of these high productivity coals."

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

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