



STRIKE ENERGY LIMITED

Annual Report

Licence Year 3

29 June 2012 – 28 June 2013

Geothermal Exploration Licence 526 and 527

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1 Introduction

Geothermal Exploration Licence's (GEL) 526 and 527 were granted on 29 June 2010. The licences are located in the southern part of the Cooper Basin, South Australia (Figure 1). This report details the work conducted during Licence Year 3 (29/6/12 – 28/6/13 inclusive), in accordance with Regulation 33 of the Petroleum and Geothermal Energy Act 2000.

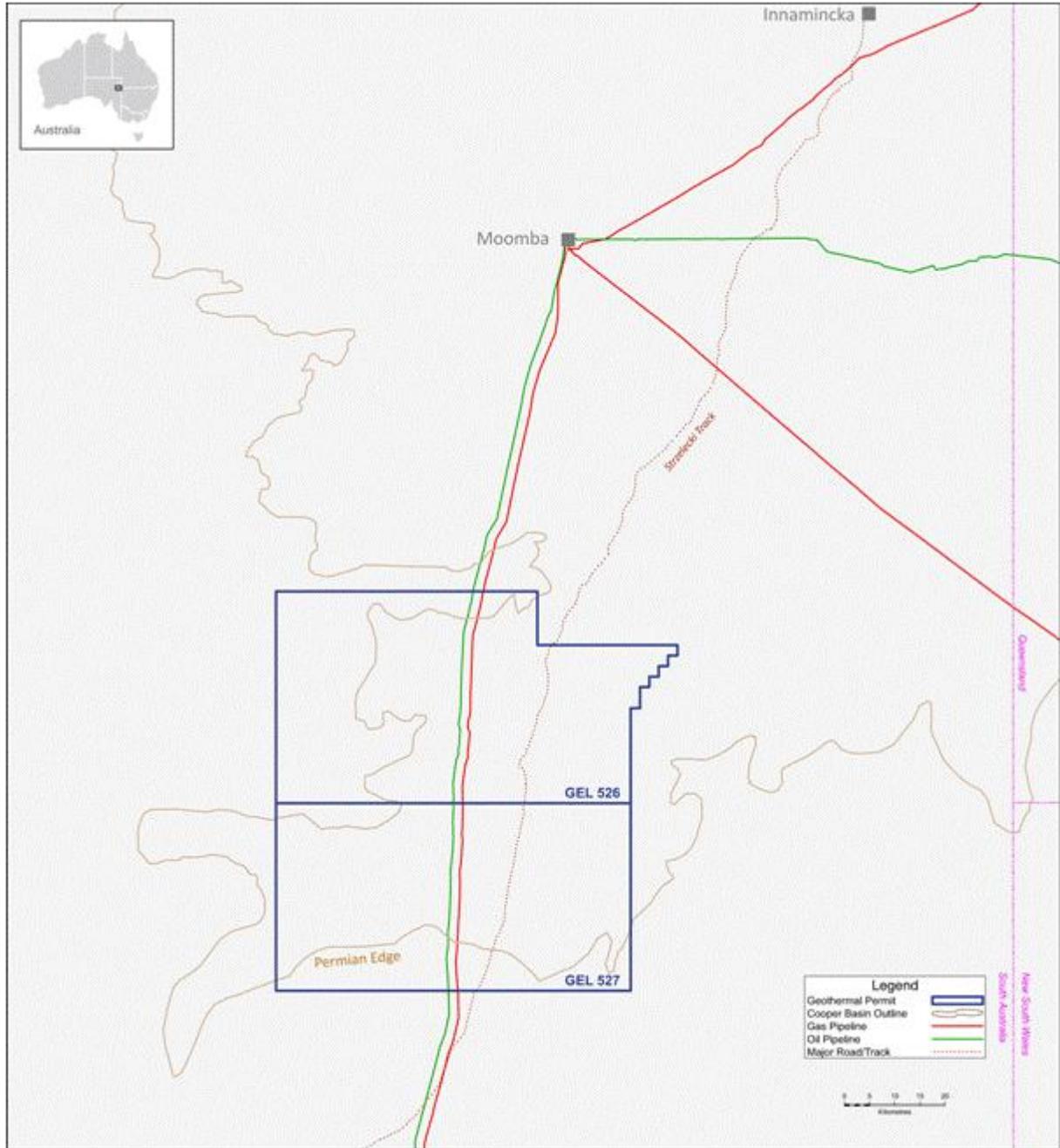


Figure 1. GEL 526 and 527 Location Map

2 Permit Summary

For the duration of the licence year, the licensee for Geothermal Exploration Licences (GEL's) 526 and 527 was:

- Strike Energy Ltd ("**Strike Energy**") 100%

The licences do not have a combined work program.

The current work commitments (including all variations) associated with GEL 526 and 527 can be seen in Table 1 and 2

Table 1. Current work commitments by licence year for GEL 526

Licence Year	Licence dates	Minimum Work Program
Year 1	29 June 2010 – 28 June 2011	Geological and geophysical data review
Year 2	29 June 2011 – 28 June 2012	Geological and geophysical data review
Year 3	29 June 2012 – 28 June 2013	Geological and geophysical studies
Year 4	29 June 2013 – 28 June 2014	Drill one well and test
Year 5	29 June 2014 – 28 June 2015	Drill one injection well; and conduct long term flow test.

Table 2. Current work commitments by licence year for GEL 527

Licence Year	Licence dates	Minimum Work Program
Year 1	29 June 2010 – 28 June 2011	Geological and geophysical data review
Year 2	29 June 2011 – 28 June 2012	Geological and geophysical data review
Year 3	29 June 2012 – 28 June 2013	Geological and geophysical studies
Year 4	29 June 2013 – 28 June 2014	Drill one well and test
Year 5	29 June 2014 – 28 June 2015	Drill one injection well; and conduct long term flow test.

Licence Year 3 concluded on 28 June 2013. The following table displays the minimum work program (after all variations) and the actual work completed during licence year.

Table 3. Final work program and work completed (as of end of current reporting period) by licence year

Licence Year	Minimum Work Program	Actual Work
Year 3 – GEL 526	Geological and geophysical studies	Geological and geophysical studies
Year 3 – GEL 527	Geological and geophysical studies	Geological and geophysical studies

No variations or suspensions were applied for during the licence year.

3 Regulated Activities

Where relevant this information is detailed below in designated sections.

Drilling and Related Activities

No regulated activities undertaken in the licence reporting period.

Seismic Data Acquisition

No regulated activities undertaken in the licence reporting period.

Seismic Data Processing and Reprocessing

No regulated activities undertaken in the licence reporting period.

Geochemical, Gravity, Magnetic and other surveys

No regulated activities undertaken in the licence reporting period.

Production and Processing

No regulated activities undertaken in the licence reporting period.

Pipeline/Flowline Construction and Operation

No regulated activities undertaken in the licence reporting period.

Preliminary Survey Activities

No regulated activities undertaken in the licence reporting period.

4 Work Undertaken

The primary target for Strike Energy in the GEL's is hot water reservoirs in the Waitpinga¹ and Weena Troughs, southern Cooper Basin (Figure 2).

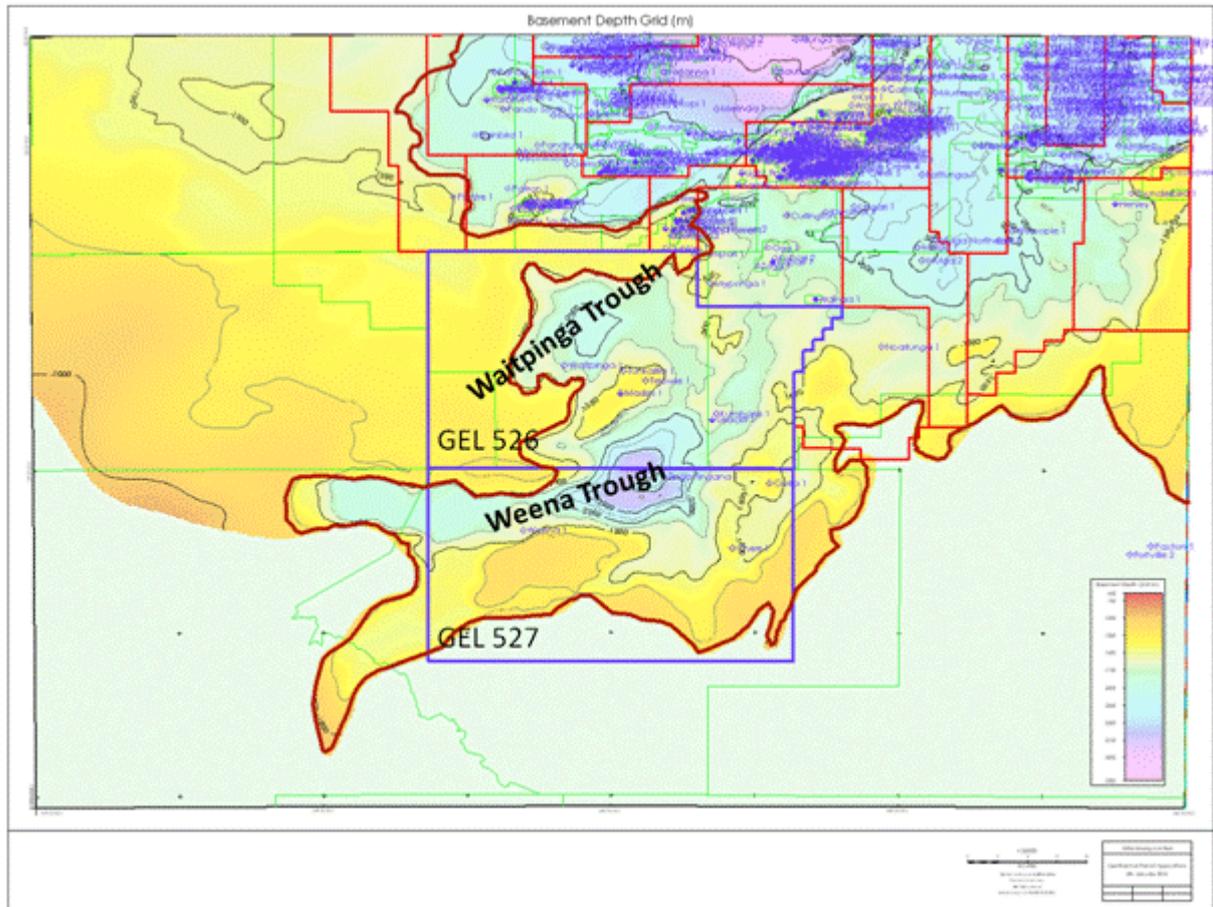


Figure 2. PIRSA Basement Depth Grid showing troughs prospective for geothermal reservoirs

Exploration activities undertaken in Year 3 were centred on remapping the existing seismic data and heat flow modelling.

Strike Energy is a member of the joint venture that holds PEL 94, the petroleum exploration licence which partially co-exists with the two GELS. In May 2012 the joint venture drilled and logged the Davenport 1 petroleum exploration well in the deepest part of the Milpera Trough (Figure 3). The well terminated in the Merrimelia Formation after reaching a total depth of 2102 metres. The well intersected approximately 110 metres of Permian coal including a single seam of 45 metres. The estimated bottomhole temperature calculated from wireline logs was 119 degrees Celsius.

The temperature gradient was calculated to be 4.43 degrees Celsius per 100 metres based on a surface temperature of 26.0 degrees Celsius.

A remapping project incorporating the new data was undertaken and Strike Energy commissioned MWES Consulting (MWES) to complete 1D heat flow models for all the wells in the licences (Figure 4). The modelling was designed to determine the temperature profiles in the wells and to ascertain the current geothermal prospectivity of the area. The heat flows were calculated from measured bottom-hole temperatures and published thermal conductivities. Temperatures were then estimated at various depths below the measured values using the modelled heat flow and assumed thermal conductivities.

1. The Waitpinga Trough is now divided into the Milpera Trough in the West and the Larow Trough in the East.

The low thermal conductivity and high thickness of the coal seams intersected in Davenport 1 and others throughout the GELs were expected to have an insulating effect, elevating the temperatures below the coal seams.

Measured temperature data from most well completion reports in the study area were found to be limited and unreliable. In many cases there was only one measured temperature in each well. Out of 17 wells studied in the investigation, only four were considered reliable. Three of these were just outside of Strike Energy's GELs.

Calculated heat flows ranged from 64 to 90 and averaged 77mW/m². Tinga Tingana 1, on the northern edge of GEL527 exhibited the highest calculated heat flow (90mW/m²) within the GELs. However it was uncertain if the reported temperature value had been corrected or not. The highest heat flow using corrected data, within the GELs was 87.5mW/m² in the Maslins 1 well.

Using corrected temperature data, and assuming an average thermal conductivity of 3.67W/mK in the Warburton Basin, the temperatures at 3,000m depth are expected to be between 127 and 139°C. Temperatures at 4,000m depth are expected to be between 155 and 171°C.

The heat flow in Davenport 1 is moderately high but comes from one uncorrected temperature measured 13 hours after mud circulation stopped. The temperatures at 3,000 and 4,000m will be higher than the current modelled temperatures of 127 and 155°C respectively. These have been elevated due to the influence of the thick, insulating, and blanketing coal seams but lack of an underlying radiogenic heat producing granite limits the intrinsic heat flow.

The Tirrawarra Sandstone is the deepest unit with potential primary permeability and porosity within the area. It appears to have sufficient primary permeability and porosity for a geothermal reservoir but the modelled temperatures were low.

Based on the licences' low prospectivities, Strike Energy elected to surrender the licences at the end of Year 3.

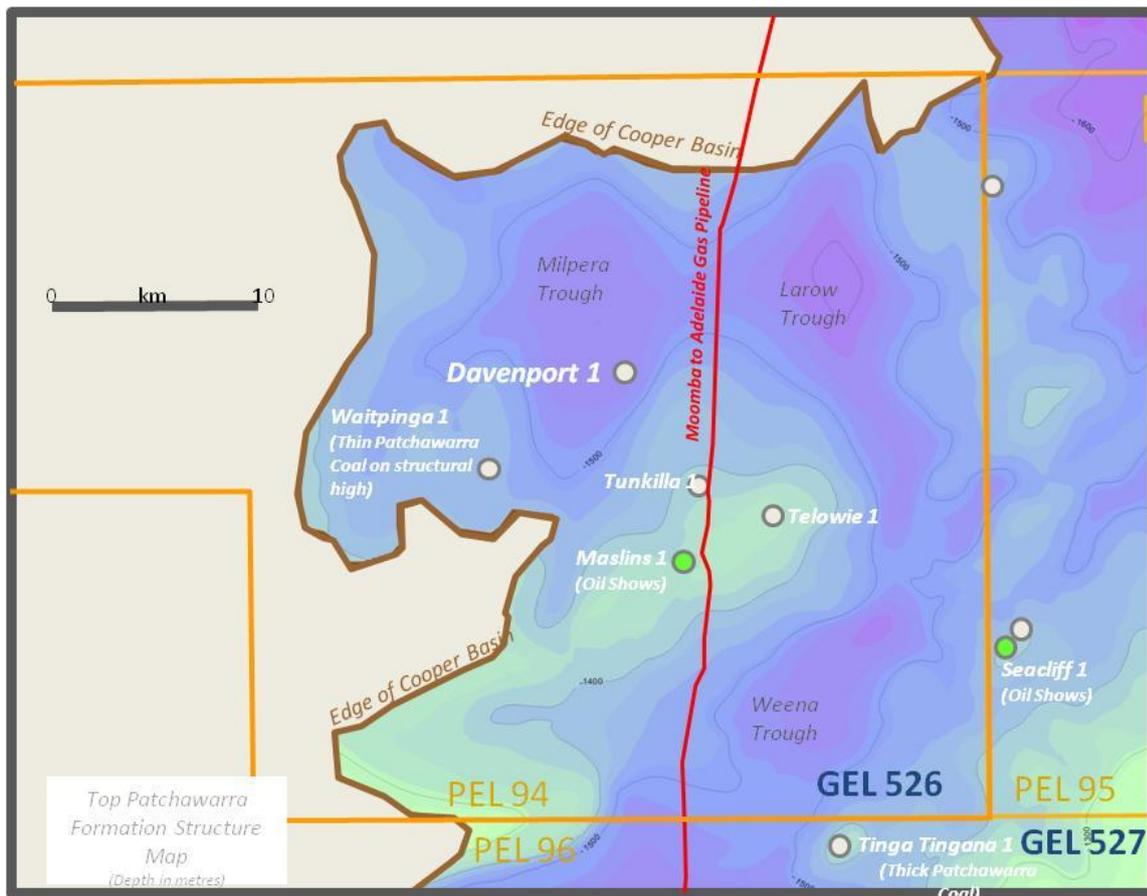


Figure 3. Top Patchawarra Formation Depth map showing location of Milpera Trough and Davenport 1.

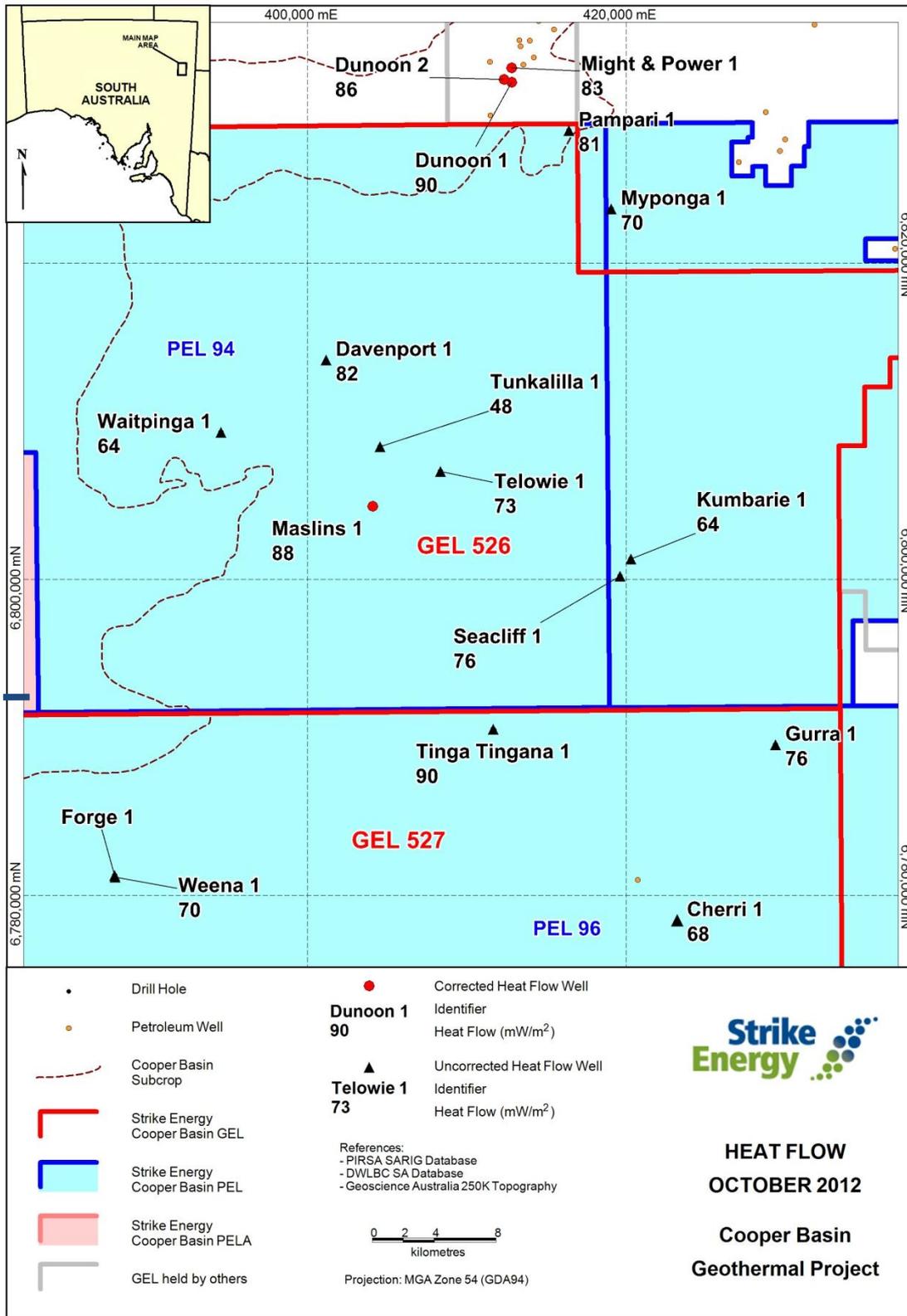


Figure 4: Modelled Heat Flow Values vs. Well Location

5 Compliance Issues

Licence and Regulatory Compliance

No regulatory or licence non-compliance issues.

Management System Audits

No management system audits were undertaken during the licence year.

Report and Data Submissions

No reports were submitted during the licence year.

A technical report entitled *1D Heat Flow & Temperature Modelling Cooper Basin Geothermal Exploration* by MWES Consulting has been submitted with this annual report.

Incidents

There were no reportable incidents during the licence year.

Threat Prevention

No foreseeable threats

Future Work Program

No future work is planned as the licences were surrendered at the end of Year 3.

6 Expenditure Statement

Please refer to Appendix 1 and Appendix 2 for the expenditure statements for GEL 526 and GEL 527 respectively.