

Q2 2012

QUARTERLY ACTIVITIES REPORT

For the period ending 31 December 2012

EAGLE FORD SHALE

- Production commenced at Bigham 1H

COOPER BASIN

- Eastern Australian gas market facing supply constraints from 2015
- Southern Cooper Project enhanced strategic value

CARNARVON BASIN

- Shell's Palta well spudded and drilling ahead





MANAGING DIRECTOR'S COMMENTS

Strike Energy is at an advanced stage in its evaluation of two major oil and gas projects in two of the world's most prospective unconventional regions – the Eagle Ford Shale, Texas and the Southern Cooper Basin, South Australia.

High levels of activity were achieved during the December quarter at each project. Production testing of the Bigham 1H well commenced in the Eagle Ford Shale and detailed planning work continued for the next stage of evaluation of the Company's world class prospective gas resource (14 Tcf Pmean) in the Cooper Basin.

In addition, Shell spudded its Palta well to test a large (13.5Tcf) conventional gas prospect on a lease adjacent to WA-460-P (STX 33.3%) in the offshore Carnarvon Basin, Western Australia.

Eagle Ford Shale

Over the past two years, Strike has built a large lease position in the Eagle Ford Shale. We now participate in over 38,600 leased acres (approximately 10,600 acres net to Strike) located predominantly in the gas-condensate window within northern Lavaca and southern Fayette counties, Texas. The play has potential for a 35-40 million BOE resource net to Strike

Strike's first production well in the play, Bigham 1H, was drilled horizontally in the Upper Eagle Ford formation during the September quarter and a 20 stage fracture stimulation program was completed in early October. Flow back operations commenced on 19th October and the well was successfully brought on production in late October. First oil and gas sales commenced in November and December respectively.

Bigham 1H has confirmed that the majority of Strike's acreage is located in the "sweet" highly commercial gas condensate window of the Eagle Ford Shale. The Bigham well also revealed multiple potential pay horizons, consistent with the results on nearby and adjacent leases, and has opened the potential for multiple completions from the same surface location.

Production rates over the well's first 60 days have been relatively stable reaching consistent production rates around 200 bbls of oil and 400 Mcf of gas per day. Bigham 1H has not yet shown evidence of production decline unlike typical Eagle Ford shale wells where production rates decline rapidly after initial production commences.

Work is progressing, using the results from Bigham 1H, to establish the optimal completion interval in the Eagle Ford shale at this location in the trend and to establish the most favourable completion technology to be pursued in the next phase of evaluation.

Off-set well data indicates that the lower Eagle Ford (Bigham 1H is in the upper Eagle Ford) is the most commercial interval in this part of the trend. NFR Energy has reported an estimated ultimate recovery ("EUR") of 539,000 boe at its' Sustr 1 well (approximately 10 miles South West of Bigham 1H), completed in the lower Eagle Ford, with a production profile more typical of the Eagle Ford trend. This lower Eagle Ford formation is also present at the Bigham well location and will be tested during the next phase of evaluation, currently anticipated to commence in March.



Cooper Basin

The gas market in Eastern Australia is transitioning from supply driven to demand driven conditions with commercial and industrial gas consumers increasingly concerned about their ability to secure gas supply contracts beyond the 2015/16 start up of the three Gladstone LNG export projects. Strike's 14Tcf Southern Cooper basin gas and liquids resource is ideally located to supply gas directly into this market taking advantage of existing open access and under-utilised gas pipeline infrastructure which runs through its acreage. The strategic value of Strike's position, close to infrastructure and with world class size potential, is increasingly being recognised by both upstream and downstream participants in the Australian east coast gas business.

Strike's objectives for 2013 are to appraise the production potential of the uniquely thick and gassy coals discovered in 2012. A drilling, coring and flow testing program is planned for PEL 96 (STX 66 2/3%) and a frac and flow test program is planned for the coals identified in Davenport well in PEL 94 (STX 35%). The 2013 program is designed to obtain the data necessary to commence pilot program drilling and extended production testing in 2014 with commercial development possible from 2015 to meet market requirements. Third party success in the appraisal of the shale potential to the north of Strike's project area will continue the shale resource opportunity with liquids potential within the Strike acreage.

Carnarvon Basin

During the quarter Shell / Mitsubishi spudded the Palta well located approximately 70km west of North West Cape, Western Australia. The well is being drilled in WA-384-P and is designed to test a very large 13.5 Tcf prospect which extends into WA-460-P (STX 33 1/3 %).

This opportunity provides shareholders with a unique option to directly participate in a very large exploration project for a nominal cost. The 800 Bcf (net to Strike) resource potential of this prospect will have a material impact on the company's valuation in the event of a discovery at Palta.

Corporate

The Company's operating cash flows from its three producing assets in Texas increased during the quarter.

With initial contributions from Bigham received late in the quarter, revenue increased by 20% to \$1.167 mln. A further increase in revenue, reflecting a full 3 month contribution from Bigham, is expected in the March 2013 quarter.

Planned US activities will be funded by operating cash flow and cash reserves (\$5.05 mln at 31 December 2012). Discussions are in progress with gas consumers and industry partners regarding potential gas sales and funding package to accelerate the company's evaluation programme in the Southern Cooper Basin.

DAVID WRENCH

Managing Director

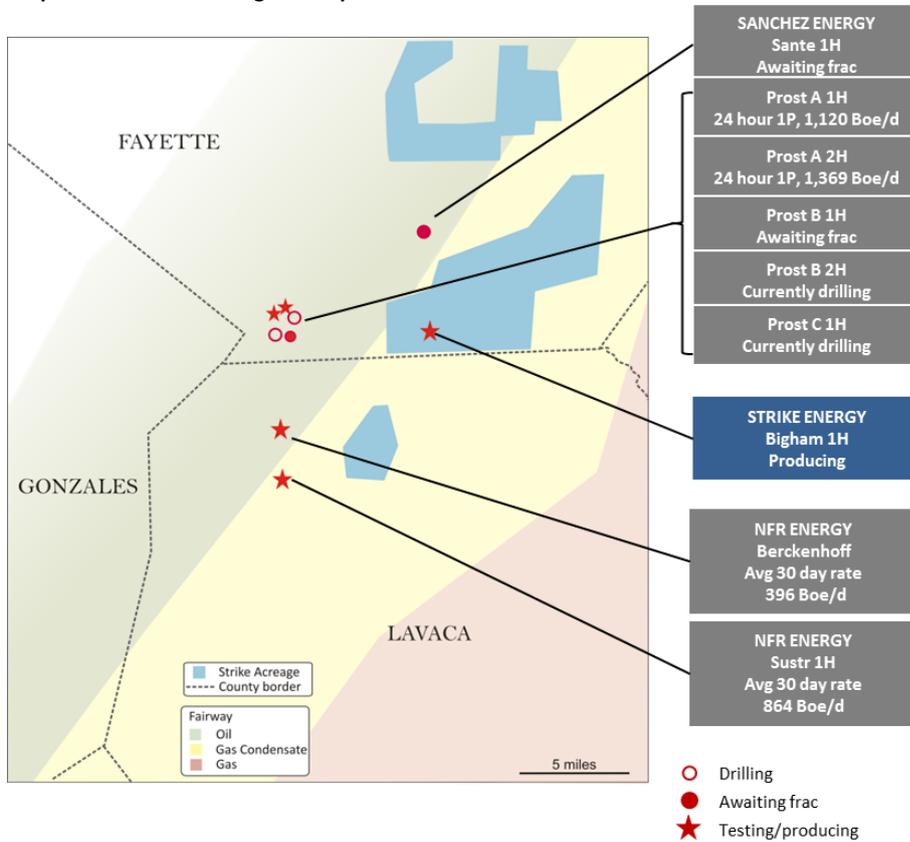


EXPLORATION AND DEVELOPMENT

EAGLE FORD SHALE, TEXAS

Strike participates in the Eagle Ford Shale through a 27.5% working interest in the Eagle Landing Joint Venture. The Joint Venture is focused on the Eagle Ford Shale gas-condensate fairway within northern Lavaca and southern Fayette counties, Texas. As at 31 December, the Joint Venture had 38,600 acres leased or committed. Strike’s net position of approximately 10,600 acres is the largest Eagle Ford Shale holdings amongst ASX listed companies after BHP Billiton and Aurora Oil & Gas.

Map 1 – Strike’s lease Eagle Ford position



During the quarter, the Joint Venture successfully completed a 20 stage fracture stimulation program at Bigham 1H with hydrocarbon production from the well commencing in late October.

The table below shows average hydrocarbon production rates for the well’s first 30 and 60 days. Oil production is currently stable around 180 -200 bbls per day.

	Oil (bbls/day)	Gas (Mcf/day)	BOE/day
First 30 day avg. rate	176	436	249
First 60 day avg. rate	182	403	249



The well had also recovered 20.4% of the fluid pumped during fracture stimulation by quarter end.

NFR Energy, operator of the Sustr 1H well located about 10 miles south west of Bigham 1H, has reported a 30 day average production rate of 864 boepd (see map 1) and an Estimated Ultimate Recovery (“EUR”) of 539,000 boe for this well which is located in the Lower Eagle Ford formation (Bigham 1H well is located in the Upper Eagle Ford formation).

Following a detailed review of the results from Bigham 1H it is concluded that the frac programme undertaken, whilst successfully completed in the upper Eagle Ford formation, may not have established effective connectivity with the Lower Eagle Ford formation; an outcome which explains the difference in performance between Sustr and Bigham. The joint venture is currently planning a further horizontal production test specifically targeting the Lower Eagle Ford formation adjacent to the Bigham location. If successful this would provide significant oil and gas production from two intervals in the Bigham area.

Bigham 1H is the first well drilled in the Strike acreage in this part of the Eagle Ford Trend and as such it is providing critical data for optimising the future drilling and evaluation of the Eagle Ford in our acreage. This optimisation process is consistent with the evolution of the Eagle Ford shale trend as the ultimate commercial potential of an individual area generally requires a number of wells to fully demonstrate.

SOUTHERN COOPER BASIN, SOUTH AUSTRALIA

Strike Energy is one of the largest permit holders in the Southern Cooper and Eromanga Basins with over 16,000km² net to Strike (approximately four million acres) across six permits and permit applications. The company is focussed on proving-up the commercial potential of its key permits – PEL 96 (Strike 67%), PEL 95 (Strike 50%) and PEL 94 (Strike 35%).

In the first half of 2012 Strike drilled two successful evaluation wells to analyse the coal and shale sequences within the Permian section. The Marsden 1 well in PEL 95 encountered thick coals and shales and the presence of heavy hydrocarbons up to pentane (C5), and the Davenport 1 well in PEL 94 encountered thick shales and over 110 metres of net coal – the thickest coals yet encountered in the Cooper Basin.

Table 2 – Strike’s Cooper Basin recoverable prospective resources

Prospective Resource (net)	Low Estimate (P90)	Best Estimate (PMean)	High Estimate (P10)
Gas (Bcf)	8,248	14,253	21,479
Liquids (MMbbls)	14	54	109

During the December quarter, Strike’s focus shifted from the upgrade of its Prospective Resource, as shown in Table 2, to the future appraisal program for the Southern Cooper Basin Project. Activities during the quarter included geological studies, the identification of potential well locations within PEL 96 and the commencement of well planning activities. In addition, the PEL 94 joint venture has continued its discussions regarding the potential frac of the Davenport 1 well and Strike approved the associated budget item.



The 136% increase in Strike's Prospective Resource during September 2012 highlighted the key data which must be acquired in order to further mature the project to a commercial reality. The forward work program is therefore being designed to ensure that the necessary data is acquired to achieve this outcome in the shortest possible timeframe.

CARNARVON BASIN

During the quarter Shell / Mitsubishi spudded the Palta well located approximately 70km west of North West Cape, Western Australia. The well is being drilled in WA-384-P and is designed to test a very large 13.5 Tcf prospect with approximately 18% or 2.4 Tcf of the prospect being mapped to extend into WA-460-P (STX 33 1/3 %).

OTHER ASSETS

There was no material exploration or development activity at Strike's other assets.

PRODUCTION

With the commencement of production at Bigham 1H during the quarter, Strike now has oil and gas production from three independent assets.

The Eaglewood Joint Venture (Strike 40% WI) produces from the Louise gas-condensate field in Wharton County, Texas. The Louise field's Gardner-Duncan 1 well produced 110,080 Mcf of gas and 2,501 bbls of oil net to Strike during the December quarter, down 16% on the previous quarter.

The MB Clearfork Project (Strike 25% WI) produces oil from 16 conventional Permian Basin wells in Martin County, Texas. During the quarter, the MB Clearfork Project produced 2,097 bbls of oil net to Strike, up 2% on the previous quarter.

The Eagle Ford shale project (Strike 27.5% WI) produces oil and gas from the Bigham 1H well in Fayette County, Texas. Flow back operations at the well started on 19 October with gas and oil production commencing on 27 and 29 October respectively. Gas sales commenced on 13 December following completion of gas pipeline and sales facilities. The well produced 3,096 bbls of oil and 6,860 Mcf of gas net to Strike during the quarter.

Strike's production for the December quarter, and the previous quarter, is summarised in Table 3 below.



Table 3 – Strike’s quarterly production

	DEC QTR 2012	SEP QTR 2012	QUARTERLY CHANGE
EAGLEWOOD JV – LOUISE GAS-CONDENSATE FIELD			
Gas (Mcf)	110,080	128,340	(17%)
Oil (Bbl)	2,501	2,767	(11%)
Barrels of oil equivalent (Boe) ¹	20,848	24,157	(16%)
Mcf of gas equivalent (Mcfe) ¹	125,087	144,943	(16%)
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas (Mcf)	87	448	(418%)
Oil (Bbl)	2,097	2,057	2%
Barrels of oil equivalent (Boe) ¹	2,112	2,132	(1%)
Mcf of gas equivalent (Mcfe) ¹	12,669	12,793	(1%)
EAGLE FORD SHALE – BIGHAM 1H			
Gas (Mcf)	6,870	-	100%
Oil (Bbl)	3,096	-	100%
Barrels of oil equivalent (Boe) ¹	4,239	-	100%
Mcf of gas equivalent (Mcfe) ¹	25,433	-	100%
TOTAL			
Gas (Mcf)	117,027	128,788	(10%)
Oil (Bbl)	7,694	4,825	37%
Barrels of oil equivalent (Boe) ¹	27,198	26,289	3%
Mcf of gas equivalent (Mcfe) ¹	163,189	157,736	3%

¹ Calculated based on industry convention energy equivalence of 6 Mcf of gas = 1 Bbl of oil. Note that based on actual realised oil and gas prices for the quarter, the price equivalent ratio is 21 Mcf of gas = 1 Bbl of oil

REVENUES

Strike generated revenues of \$1,167,000 during the December quarter, up 20% from the previous quarter.

Strike’s revenues for the December quarter, and the previous quarter, are summarised in Table 4 below.



Table 4 – Strike’s quarterly revenues from production

AUD '000	DEC QTR 2012	SEP QTR 2012	QUARTERLY CHANGE
EAGLEWOOD JV – LOUISE GAS-CONDENSATE FIELD			
Gas	472	475	(1%)
Oil	249	268	(8%)
Total	721	743	(3%)
Gross margin	64%	63%	
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas	1	1	(33%)
Oil	169	185	(10%)
Total	170	186	(10%)
Gross margin	31%	21%	
EAGLE FORD SHALE – BIGHAM 1H			
Gas ¹	8	-	100%
Oil	269	-	100%
Total	277	-	100%
Gross margin	71%	-	
TOTAL			
Gas ¹	481	476	1%
Oil	687	453	34%
Total	1,167	929	20%
Gross margin	71%	57%	

¹ Gas sales from 13 December only. Gas produced prior to 13 December was flared.

Average realised oil prices during the December quarter were \$89/Bbl, down 5% from \$94/Bbl in the previous quarter. Average realised gas prices were \$4.30/Mcf, up 14% from \$3.70/Mcf in the previous quarter.

CORPORATE

Strike Energy’s corporate office is in Sydney, New South Wales. The company has a technical and administrative office in Perth, Western Australia, and an office in Houston, Texas.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman	Tim M Clifton
Managing Director	David C Wrench
Executive Director	Ben A Thomas
Non-Executive Director	Simon M Ashton
Non-Executive Director	Tim R B Goyder
Non-Executive Director	Eytan Uliel

ISSUED CAPITAL

Issued Shares	614,519,664
Unlisted Options	23,675,000

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