

ADVANCING STRIKE'S EAGLE FORD SHALE & COOPER BASIN UNCONVENTIONAL ASSETS

Strike Energy Limited ("Strike") is pleased to update shareholders on its activities for the June 2012 quarter. The company achieved a number of significant milestones during the quarter including:

1. EAGLE FORD SHALE PROJECT

- First production test well – Bigham 1H – spudded 17 June 2012
- As at July 17, the well was drilling ahead at ~14,700ft MD (~12,200ft vertical and ~2,500ft horizontal)
- 9,756 net acres now leased or committed

2. SOUTHERN COOPER BASIN

- PEL 94 – Davenport 1 well discovers 116 metres of net coal – substantially exceeding pre-drill expectations
- Preliminary results indicate very high gas contents

3. FUNDING

- Completion of a \$20 million capital raising

More detail on the company's activities during the quarter follows.

OUR STRENGTHS

- Quality Assets
- Experienced Team
- Major Growth Potential

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PRODUCTION

Strike has conventional oil and gas production from the Louise gas-condensate field in South Texas (Strike 40%) and from the MB Clearfork Project in the Permian Basin, West Texas (Strike 25%).

The Louise gas-condensate field was discovered by Strike and commenced production in April 2010.

The MB Clearfork Project was acquired by Strike in November 2011. Oil is produced from 16 wells at a rate of approximately 100 Bbl per day (25 Bbl per day net to Strike).

Strike's quarterly production is summarized in the following table:

	Apr – Jun 2012	Jan – Mar 2012	Quarterly Change
EAGLEWOOD JV – LOUISE GAS-CONDENSATE FIELD			
Gas (Mcf)	139,366	145,904	(4%)
Oil (Bbl)	3,315	3,763	(12%)
Barrels of oil equivalent (Boe) ¹	26,543	28,080	(5%)
Mcf of gas equivalent (Mcf) ¹	159,256	168,482	(5%)
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas (Mcf)	1,248	1,812	(31%)
Oil (Bbl)	1,925	1,476	30%
Barrels of oil equivalent (Boe) ¹	2,133	1,778	20%
Mcf of gas equivalent (Mcf) ¹	12,798	10,668	20%
TOTAL			
Gas (Mcf)	140,614	147,716	(5%)
Oil (Bbl)	5,240	5,239	-
Barrels of oil equivalent (Boe) ¹	28,676	29,858	(4%)
Mcf of gas equivalent (Mcf) ¹	172,054	179,150	(4%)

¹ Calculated based on industry convention energy equivalent of 6 Mcf gas = 1 bbl of oil. Note that based on actual realised oil and gas prices for the quarter, the price equivalent ratio is 28 Mcf gas = 1 bbl oil.

Production from the Louise gas-condensate field was approximately 5% lower than the previous quarter due to natural decline. Oil production from the MB Clearfork Project was significantly higher, although this was largely due to the timing of oil sales. Overall, Strike's quarterly production was 4% below the March quarter.

REVENUES

Strike's quarterly revenues from production are summarised in the following table:

Revenues (A\$'000)	Apr – Jun 2012	Jan – Mar 2012	Quarterly Change
EAGLEWOOD JV – LOUISE GAS-CONDENSATE FIELD			
Gas	553	508	9%
Oil	392	368	7%
Total	945	876	8%
Gross margin	63%	61%	
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas	4	8	(50%)
Oil	177	200	(12%)
Total	181	208	(13%)
Gross margin	20%	53%	
TOTAL			
Gas	557	516	8%
Oil	569	568	-
Total	1,126	1,084	4%
Gross margin	48%	58%	

Average realised oil prices during the June quarter were \$108/Bbl, the same as the previous quarter. US natural gas prices staged a recovery during the quarter, and Strike's average realised gas price was \$3.96/Mcf, up from \$3.49/Mcf previously.

Revenues from the Louise gas-condensate field increased by 8% on account of higher realised gas prices and gross margins were stable. At the MB Clearfork Project, revenues and gross margins were significantly lower, although this is largely due to the timing of oil sales and payment of operating costs.

EXPLORATION & DEVELOPMENT

Eagle Ford Shale, Texas

Strike has a 27.5% interest in the Eagle Landing Joint Venture that has a substantial lease position in the Eagle Ford Shale, Texas. At 30 June 2012, the Joint Venture had 35,478 acres leased or committed across southern Fayette and northern Lavaca Counties (~9,750 acres net to Strike), up 3% on the March 2012 quarter.

The majority of the lease position is located in the gas-condensate fairway which has demonstrated outstanding production and economic returns across the Eagle Ford Shale trend.

Strike is now focussed on proving-up the value of its acreage by confirming its production potential.

The Joint Venture's first production test well – Bigham 1H – spudded on 17 June. As at 17 July, the well had been drilled to a measured depth (MD) of approximately 14,700 feet (~4,480 metres) with the ~12,200 foot vertical section and the first ~2,500 feet of the planned 5,000 foot horizontal section having been drilled. The Bigham 1H well is expected to complete drilling within 7 to 10 days, after which the well will be extensively logged and then cased.

The Joint Venture plans a multi-stage fracture stimulation program at Bigham 1H around October 2012 once construction of gas sales infrastructure has been completed. The fracture stimulation program is designed to fracture both the Lower Austin Chalk and Eagle Ford Shale formations.

During the quarter, there was drilling activity by other operators in the immediate vicinity of Strike's acreage. Of most relevance, Sanchez Energy (NYSE: SN) is drilling its Prost 1H and 2H production wells and NFR Energy (unlisted) completed drilling its Sustr 1H production well, all in the Eagle Ford Shale formation. Strike expects that production results from these wells, together with additional wells to be drilled in the second half of 2012, will further de-risk the play in southern Fayette and northern Lavaca Counties.

Southern Cooper Basin, South Australia

Strike has a 16,000 net km² (approximately 4 million net acre) exploration portfolio in the Southern Cooper and Eromanga Basins. Strike's focus is upon proving-up the commercial potential of the coal and shale formations within its key unconventional permits – PEL 96 (Strike 67%), PEL 95 (Strike 50%) and PEL 94 (Strike 35%).

During the quarter, Strike participated in its second Southern Cooper Basin unconventional evaluation well – Davenport 1 – which targeted the Permian coal and shale formations within the Milpera Trough in PEL 94. Davenport 1 spudded on 25 April and reached a total depth of 2,102 metres in mid-May. The well encountered thick sections of the target Toolachee Formation, Roseneath Shale, Epsilon Formation and Murteree Shale (together 'REM') and Patchawarra Formation. Each target formation exhibited elevated gas shows. Of particular significance, Davenport 1 encountered 116 metres of net coal, including a single seam more than 45 metres thick.

Preliminary results from Davenport 1 and Marsden 1 (Strike's first Cooper Basin unconventional evaluation well that was drilled in PEL 95 during the March quarter), support the company's view that the Southern Cooper Basin has the potential to be a world-class unconventional hydrocarbon region. Specifically, the wells demonstrate that:

- thick Permian coals and shales extend from the centre of the Cooper Basin into Strike's permit area, and in the case of the coals, are amongst the thickest recorded in the Cooper Basin; and
- the coal and shale formations exhibit elevated gas shows, and in the case of the shales, heavy hydrocarbon (natural gas liquids) shows.

Cores and cuttings from Davenport 1 and Marsden 1 are currently undergoing laboratory analysis to confirm hydrocarbon content and other properties relevant to the potential productivity of the coal and shale formations. Strike is also re-mapping its Cooper Basin permit area and re-calculating its estimate of prospective hydrocarbon resources.



Drilling of Davenport 1, Milpera Trough, PEL 94

Permian Basin, Texas

Strike has a 25% interest in the MB Clearfork Project in the Permian Basin, West Texas. The project has conventional oil production from 16 wells. It also offers upside through infill drilling opportunities and from exploration of the undeveloped Lower Clearfork Shale that underlies the conventional oil fields.

During the quarter, the operator of the MB Clearfork Project finalised a detailed technical review of the project and proposed the drilling of a first infill well to increase conventional oil production. The well is expected to spud in late July and will also be deepened to evaluate the Lower Clearfork Shale.

Other Assets

Strike's management and financial resources are focused upon the development of the company's unconventional oil and gas assets. Accordingly, no significant exploration activity was undertaken during the quarter at Strike's other USA or Australian assets.

CORPORATE

Strike's management is focused upon advancing the company's high-impact unconventional assets – the Southern Cooper Basin and the Eagle Ford Shale – and ensuring the company is adequately staffed and funded to do so effectively.

During the quarter, Strike convened a General Meeting of shareholders which approved the second tranche of a \$20 million placement of shares to sophisticated and institutional investors at \$0.17/share. As a result, the company had over \$16 million of cash at 30 June 2012 and is well funded to advance its Southern Cooper Basin and Eagle Ford Shale unconventional plays.

On 18 June, Bell Potter Securities initiated research coverage of the company.

On 30 June, Andrew Dimsey resigned as Strike's Company Secretary and was replaced by Salina Michels.

Strike's corporate information as at 30 June 2012:

Board of Directors

Chairman:	T M Clifton
Managing Director:	D C Wrench
Executive Director:	B A Thomas
Non-Executive Director:	S M Ashton
Non-Executive Director:	T R B Goyder
Non-Executive Director:	E Uliel

Issued Capital

Issued Shares:	614,519,664
Unlisted Options:	31,025,000

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Share Register

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