

Q1 2012

QUARTERLY ACTIVITIES REPORT
For the period ending 30 September 2012

EAGLE FORD SHALE

- > Successful drilling and fracture stimulation of Strike's first Eagle Ford Shale production test well

SOUTHERN COOPER BASIN

- > Upgrade of Strike's unconventional prospective resource estimate to 14.3 TCF of gas



MANAGING DIRECTOR'S COMMENTS

Strike Energy is developing 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.

Our company had an active and successful September quarter. We announced a major upgrade to our Cooper Basin prospective resource estimate, and we made very good progress in the Eagle Ford Shale.

The Eagle Ford Shale has emerged in recent years as one of the leading unconventional plays in the world. The primary driver of the Eagle Ford's success is the development of highly productive wells in the "gas-condensate" fairway that produce a mix of oil, liquids and natural gas and which enjoy exceptional economic returns.

Over the past two years, Strike has been building a lease position in the Eagle Ford Shale and we now participate in over 37,400 leased acres (approximately 10,300 acres net to Strike) located predominantly in the gas-condensate window within northern Lavaca and southern Fayette counties. This region is experiencing substantial drilling activity and there have been a number of wells recently completed and flowing strongly in close proximity to our acreage.

Following extensive technical evaluation and planning we have now reached a critical milestone for the play – demonstration of commercial production within our lease area.

During the September quarter we successfully drilled our first production test well – Bigham 1H. The well was drilled horizontally in the Upper Eagle Ford formation and a 20 stage fracture stimulation program was completed in early October.

After the end of the quarter Bigham 1H commenced flowing back. If we achieve flow rates consistent with the other wells around Strike's lease area, the potential of our Eagle Ford Shale investment will be further demonstrated.

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 30 September, the Joint Venture had 37,445 acres leased or committed, a 5.5% increase on the previous quarter. Strike's net position of approximately 10,300 acres is the largest Eagle Ford Shale holdings amongst ASX listed companies after BHP Billiton and Aurora Oil & Gas.

During the quarter, the Joint Venture successfully drilled its first production test well – Bigham 1H. The well was drilled to a total measured depth of 17,700 feet (~5,400 metres), including a 5,150 foot (~1,570 metre) horizontal section drilled and cased in the Upper Eagle Ford Formation. A 20 stage fracture stimulation program commenced in late September and was successfully completed over a two week period.

Following the end of the quarter, Bigham 1H commenced flow-back of frac fluids and the well is continuing to clean-up.

Picture 1 – Fracture stimulation operations at Bigham 1H





Also during the quarter, the first third party wells to be drilled in close proximity to Strike’s Eagle Ford acreage were completed and commenced production, as summarised in the following table:

Table 1 – Wells completed near Bigham 1H

WELL	DISTANCE FROM BIGHAM 1H	OPERATOR	INITIAL PRODUCTION (24 HR)	PRODUCTION (30 DAY AVERAGE)
SUSTR 1H	~15 km SW	NFR Energy	n/a	864 Boe/d
PROST 1H	~12 km W	Sanchez Energy	1,120 Boe/d	n/a
PROST 2H	~12 km W	Sanchez Energy	1,369 Boe/d	n/a

The initial production rates from these wells demonstrate the productive potential of northern Lavaca and southern Fayette counties. The wells are contributing to a progressive de-risking of Strike’s acreage position and a consequential uplift in asset value.

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 unconventional oil and gas permits – PEL 96 (Strike 67%), PEL 95 (Strike 50%) and PEL 94 (Strike 35%).

Earlier this year 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.

Picture 2 – Coal sample recovered from Davenport 1



During the September quarter, Strike’s focus was on integrating the data obtained from the Marsden 1 and Davenport 1 logs and the results from laboratory testing of cores and samples recovered from the wells into the company’s resource model.

Existing seismic data was calibrated against well control to enable a remapping of the project area. The thick continuous coals have been interpreted over large areas resulting in a substantial increase in coal volumes.



When combined with gas content data, Strike’s estimated recoverable prospective resource increased substantially over the company’s initial estimate, as summarised in the following table.

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 (Mmbl)	14	54	109

¹ *Prospective Resource as per Society of Petroleum Engineers – Petroleum Resources Management System*

The revised prospective ‘Pmean’ resource estimate of 14 trillion cubic feet (Tcf) of gas demonstrates the world-class potential of Strike’s Cooper Basin play. To put this into context, the entire Australian east coast market currently consumes less than 1 Tcf of gas per year.

During the quarter Strike also advanced its’ Cooper Basin follow-on work program. As announced on 19 September, the company expects to undertake drilling operations during 2013 to explore and delineate unconventional gas resources within the Strike-operated PEL 96. Also, the PEL 94 and PEL 95 joint venture partners are finalising plans to undertake further testing of the Marsden 1 and/or Davenport 1 wells.

MB CLEARFORK PROJECT

Strike Energy has a 25% interest in the MB Clearfork Project, a 7,500 acre position within the Permian Basin, Texas. The MB Clearfork Project produces approximately 100 Bbl/d of oil from conventional wells within the Middle Clearfork Formation (25 Bbl/d net to Strike). Below the conventional oil zone is the Lower Clearfork Formation, a thick oil shale that is prospective for future unconventional oil production.

During the quarter, Strike drilled one low-cost conventional infill well, the MB Clearfork Unit #16. The well encountered low porosity conditions and is currently producing at approximately 10 Bbl/d. Sidewall cores recovered from the Lower Clearfork Formation during drilling of the MB Clearfork Unit #16 well are currently undergoing laboratory testing.

OTHER ASSETS

Strike has a 15% interest in the Tigre Lagoon Project, a large conventional gas prospect onshore Louisiana. During the quarter, the project partners commenced a 3D seismic survey over the lease area.

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



PRODUCTION

Strike has conventional production from two assets – the Eaglewood Joint Venture and the MB Clearfork Project, both in Texas.

The Eaglewood Joint Venture (Strike 40%) enjoys production from the Louise gas-condensate field in Wharton County, Texas. The Louise field’s Gardner-Duncan 1 well produced 128,240 Mcf and 2,767 Bbl net to Strike during the September quarter, down 10% on the previous quarter.

The MB Clearfork Project (Strike 25%) produces oil from 16 conventional Permian Basin wells in Martin County, Texas. During the quarter, the MB Clearfork Project produced 2,057 Bbl net to Strike, down 15% on the previous quarter due to maintenance and repair downtime.

Strike’s production for the September quarter, and the previous quarter, is summarised in the following table.

Table 2 – Strike’s quarterly production

	JUL – SEP 2012	APR – JUN 2012	QUARTERLY CHANGE
EAGLEWOOD JV – LOUISE GAS-CONDENSATE FIELD			
Gas (Mcf)	128,340	139,366	(9)%
Oil (Bbl)	2,767	3,315	(20)%
Barrels of oil equivalent (Boe) ¹	24,157	26,543	(10)%
Mcf of gas equivalent (Mcf) ¹	144,943	159,256	(10)%
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas (Mcf)	448	1,201	(168)%
Oil (Bbl)	2,057	2,365	(15)%
Barrels of oil equivalent (Boe) ¹	2,132	2,565	(20)%
Mcf of gas equivalent (Mcf) ¹	12,793	15,391	(20)%
TOTAL			
Gas (Mcf)	128,788	140,567	(9)%
Oil (Bbl)	4,825	5,680	(18)%
Barrels of oil equivalent (Boe) ¹	26,289	29,108	(11)%
Mcf of gas equivalent (Mcf) ¹	157,736	174,647	(11)%

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 25 Mcf of gas = 1 Bbl of oil



REVENUES

Strike had revenues of \$930,000 during the September quarter.

Strike's revenues for the September quarter, and the previous quarter, are summarised in the following table.

Table 3 – Strike's quarterly revenues from production

AUD '000	JUL – SEP 2012	APR – JUN 2012	QUARTERLY CHANGE
EAGLEWOOD JV – LOUISE GAS-CONDENSATE FIELD			
Gas	475	553	(16)%
Oil	268	392	(46)%
Total	743	945	(27)%
Gross margin	68%	63%	
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas	1	4	(175)%
Oil	185	202	(9)%
Total	187	206	(10)%
Gross margin	21%	20%	
TOTAL			
Gas	476	516	(8)%
Oil	453	568	(25)%
Total	930	1,080	(17)%
Gross margin	57%	48%	

Average realised oil prices during the September quarter were \$94/Bbl, down 15% from \$108/Bbl in the previous quarter. Average realised gas prices were \$3.70/Mcf, down from \$3.96/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 operations office in Houston, Texas. During the quarter, Chris Thompson, an experienced reservoir engineer, joined the company as General Manager – Cooper Basin.

Strike's Annual General Meeting will be held at 2pm (Perth) on 21 November 2012 at The Celtic Club, 48 Ord Street, West Perth, Western Australia.



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	28,525,000

CORPORATE OFFICE

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