

STRIKE ENERGY LIMITED

QUARTERLY REPORT: Q1 2013

For the period ending 30 September 2013

Corporate Office

120B Underwood Street
 Paddington NSW 2021
 T: +61 2 9397 1420
 E: strike@strikeenergy.com.au
 W: www.strikeenergy.com.au

Registered Office

120B Underwood Street
 Paddington NSW 2021
 T: +61 2 9397 1420

Securities Exchange

ASX : STX

Share Register

Computershare Investor Services
 Level 4, 60 Carrington Street
 Sydney NSW 2000

About Strike Energy

Strike Energy is an Australian based, independent oil and gas exploration and production company.

The company is focussed on the development of major unconventional and conventional oil and gas projects.

Current Australian activities are located in the Southern Cooper Basin and Carnarvon Basin and US activities in the Eagle Ford Shale and Permian Basin.

Highlights

- Orica and Strike Energy Ltd ("Strike") signed a binding term sheet in July for up to 150 PJ of gas to accelerate the evaluation and commercialisation of a large prospective gas resource (2.7 to 6.3 Tcf net to Strike) defined within PEL 96.
- Subsequent to agreement above, mobilisation activities completed for PEL 96 Phase One Area appraisal drilling of Strike's Southern Cooper Basin Gas Project.
- The Wolters 1H Eagle Ford Shale production test well was drilled and completed. Operating difficulties experienced during fracking and completion have restricted the number of frac stages to be flow tested during the December quarter.
- Encouraging early production test results achieved from the second Lower Clearfork shale zone, MBCU#17 test well in the Permian Basin.
- The Palta 1 well, drilled by Shell on its permit WA-384-P, adjoining WA-460-P (STX 33 1/3%) was plugged and abandoned after logging results confirmed that it did not encounter commercial hydrocarbons.

Subsequent Events

- Preparation for spudding of Le Chiffre 1, the first well of an important appraisal drilling program at our Southern Cooper Basin Gas Project - PEL 96 Phase One Area.
- Initiated engagement process with gas users, for additional gas sale commitments from the PEL 96 Phase One Area.
- Miro Advisors appointed to assist the Board in a comprehensive review of the strategic alternatives for our Eagle Ford investment.

Outlook

- Strike's primary focus is on the rapid commercialisation of the PEL 96 Phase One Area; with appraisal operations (Strike operator) expected to be completed early in 2014. Strike continues to adopt a prudent capital strategy with other assets in its portfolio.

Performance Summary

	Sept QTR 2013	Jun QTR 2013	Quarterly Change
Production (Boe)	22,685	23,178	(2%)
Revenue (AUD '000)	1,128	1,138	(1%)

Managing Director Comments

The September quarter was an important period in our efforts to advance the Company's Southern Cooper Basin Gas Project.

In July, Strike signed a binding gas sales term sheet with Orica for the supply of gas from the Phase One Area of our PEL 96 permit. Our primary focus subsequent to this event has been successfully completing the planning, procurement and mobilisation work necessary to commence a rapid appraisal program. Results from this program will underpin the decision to commence an extended pilot production test program, ahead of a potential commitment to develop a commercial gas project.

In the US, the operator of the Eagle Ford Shale project encountered a series of operating difficulties during fracture stimulation and completion at Wolters 1H. While these issues have been extremely frustrating, our confidence in the potential of the resource remains firm and our immediate focus is on achieving a satisfactory resolution of the current technical issues and commencing flow back operations in the current quarter.

Initial hydrocarbon production results obtained from testing of the second Lower Clearfork shale zone in the MBCU#17 well in the Permian Basin have been encouraging. Work has commenced on scaling these results to reflect a 10,000' horizontal well with a large multistage fracture stimulation completion in line with successful offset Lower Clearfork shale completions.

We expect the December quarter to be a significant period for Strike as we progress our Southern Cooper Basin appraisal program.

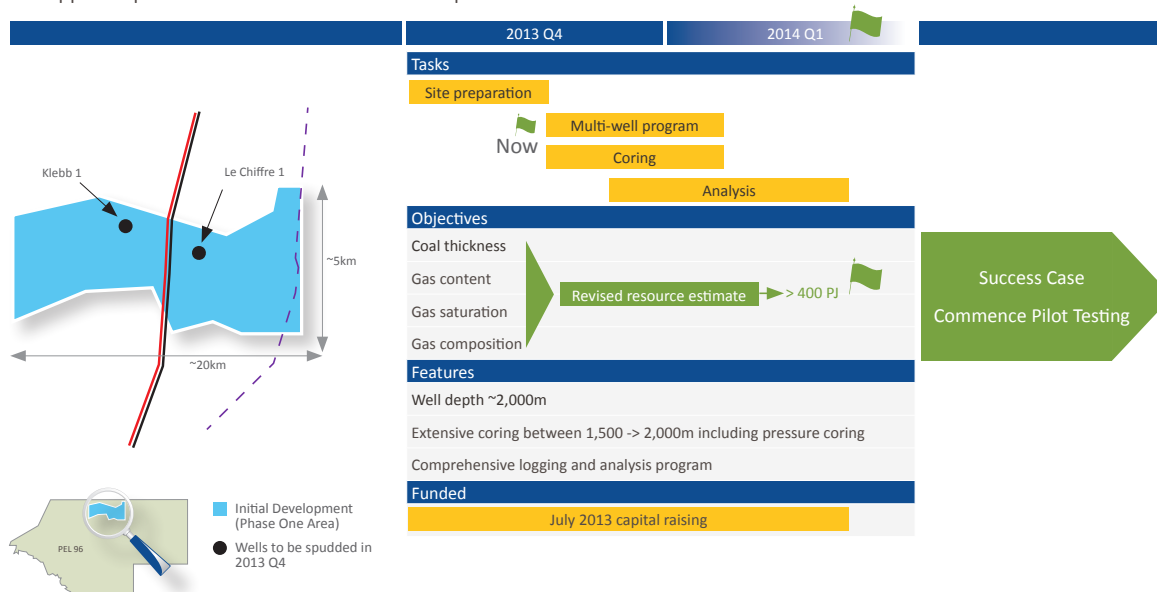
David Wrench
Managing Director



David Wrench, MD

Southern Cooper Basin Gas Project: PEL 96 Phase One Area Appraisal

The appraisal process is the first milestone on the path to commercialisation.



Potential to accelerate pilot testing with early appraisal success

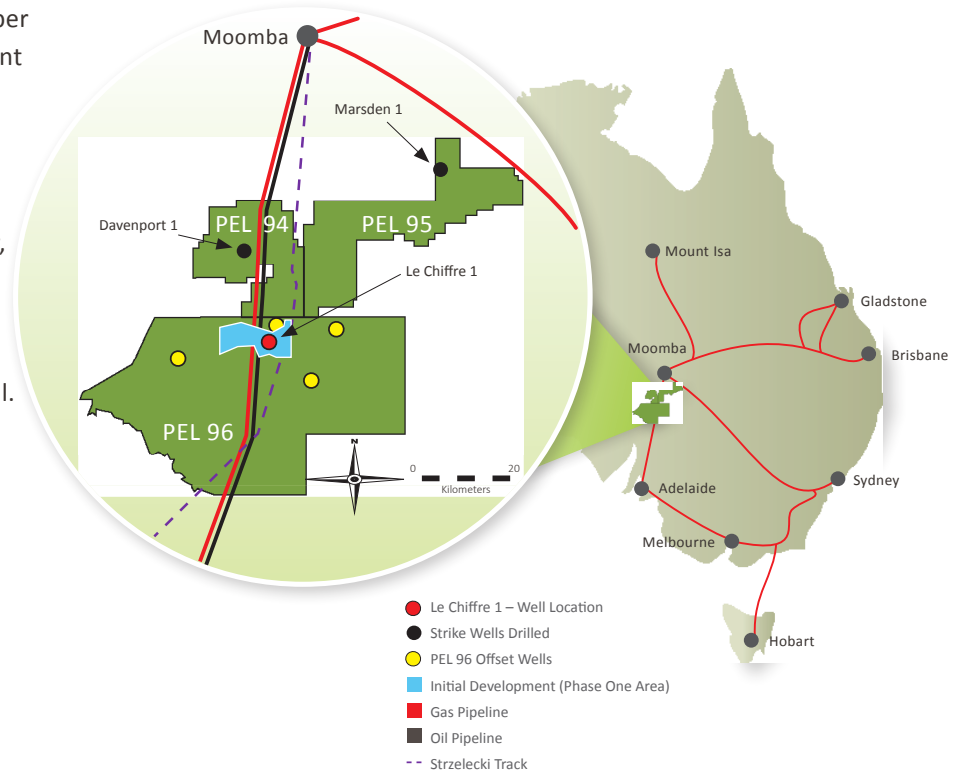
Southern Cooper Basin Gas Project

During the quarter the Company successfully completed key mobilisation activities for appraisal drilling of the Southern Cooper Basin Gas Project. Strike is the operator of PEL 96 (STX 66.67%) and the appraisal program is targeting the Phase One Area within PEL 96.

Following the company’s 2012 Cooper Basin drilling activities and the recent binding gas sales term sheet signed with Orica (July 2013) this program is the next step in the company’s rapid commercialisation plan for the gas resource. Strike, as operator, has control of planning, timing and execution activities in PEL 96.

Le Chiffre 1 is the first appraisal well.

Appraisal drilling operations are expected to be completed early in 2014 with detailed analysis of logs, cores, gas samples and test results undertaken during Q1 2014.



Map 2: Le Chiffre 1 - well location



Photo 1: Energy Drilling Australia's rig 3

US Activities

Eagle Ford Shale (STX interest 27.5%)

During the quarter the Wolters #1H Eagle Ford Shale test well reached a total measured depth (“MD”) of 18,530’ (~5,648 metres), with approximately 5,500’ of lateral drilled in the Lower Eagle Ford shale. Due to an obstruction in the well bore, which was unable to be removed, the well was sealed off at approximately 14,800’ MD (~4,511 metres) and a nine stage fracture stimulation program was completed in the remaining 1,800’ of lateral.

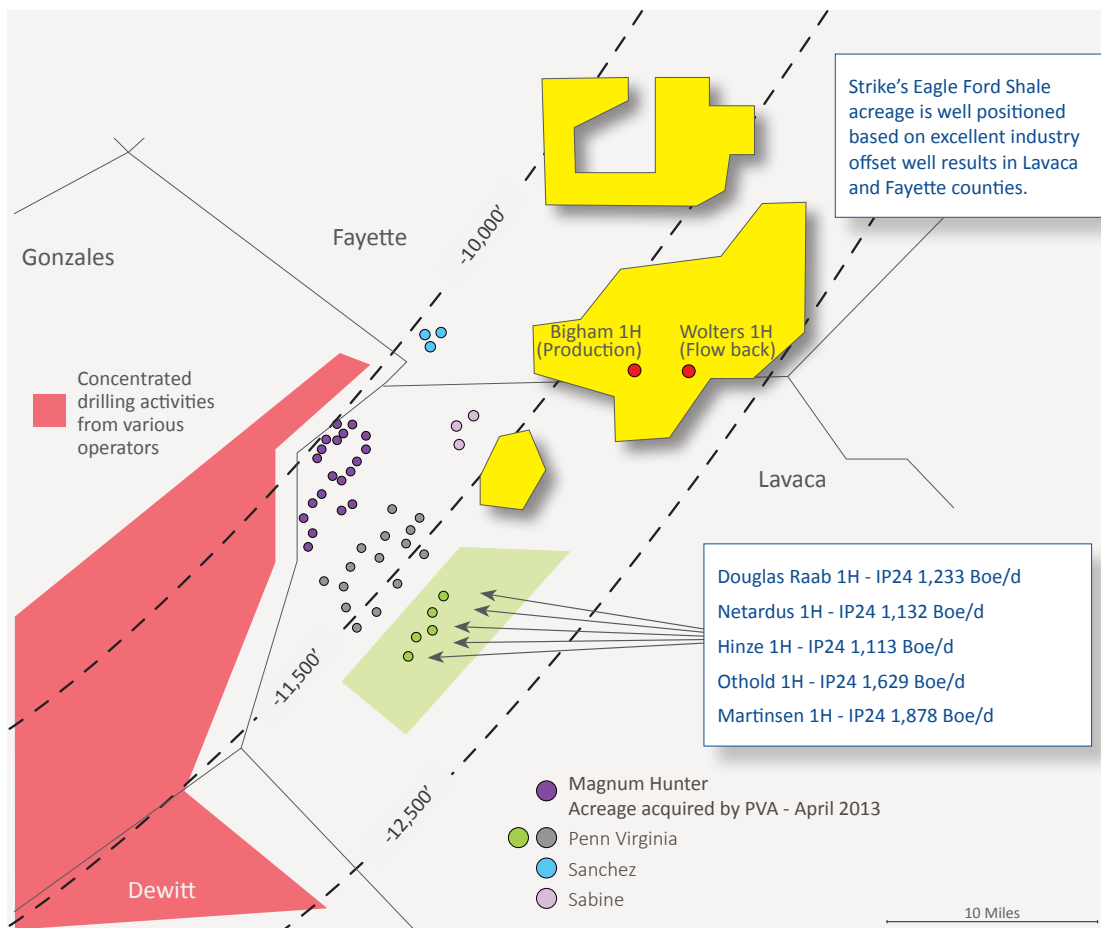
Subsequent to quarter end, the operator milled out plugs set between the 3 stages closest to the heel of the well but encountered difficulties milling out a plug at 13,550’ MD. After a visual inspection of the well bore using a down hole camera confirmed that the well was clear to around 13,550’, the operator commenced controlled flowback of the well on 27 October 2013.

Permian Basin (STX interest 25%)

Two zones were fracture stimulated in the Lower Clearfork Shale in the MBCU#17 well and each zone was independently flow tested. While no material hydrocarbon production was recorded from the first zone tested, the second zone continues to produce oil and gas at stable rates.

This well was designed to evaluate the hydrocarbon production potential of the Lower Clearfork Shale and the results to date from the second zone are encouraging given the small scale of the frac completed. Commercial production results have recently been achieved from the Lower Clearfork Shale using 10,000’ horizontal wells with large scale multi-stage fracture stimulation completions. Work is now being undertaken to model the production potential of a similar large horizontal well using the MBCU#17 production test results.

Recent Lavaca and Fayette Counties Activity



Sabine Oil & Gas Company Update May 2013 Sanchez Energy Presentation PVA April 2013 Investor Presentation PVA May 2013 Investor Presentation

Other Assets

In the Carnarvon Basin, the Palta 1 exploration well in permit WA-384-P reached total depth without encountering commercial hydrocarbons. Strike holds a 33.33% interest in permit WA-460-P and approximately 20% of the Palta prospect was mapped to extend into WA-460-P. Strike did not incur any cost associated with the drilling of the Palta 1 well.

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

Corporate

On 11 September 2013, Mark Carnegie was appointed Chairman and David Baker was appointed Non-Executive Director.

During the quarter the company completed a \$9.2 million capital raising to fund the drilling program currently underway in the Southern Cooper Basin Gas Project.

The company relocated its Sydney office to 120B Underwood Street, Paddington and will close its Perth office in the December quarter.



PRODUCTION

Strike produces oil and gas from three independent assets.

The Eaglewood Joint Venture (Strike 40% WI) produces from the Cypress Raven (Wilcox) gas-condensate field in Wharton County, Texas. The Cypress Raven field's Gardner-Duncan 1 well produced 96,525 Mcf of gas and 2,179 bbls of oil net to Strike during the September quarter, up 1% on the previous quarter.

The MB Clearfork Project (Strike 25% WI) produces oil from 19 conventional Permian Basin wells in Martin County, Texas. During the quarter, the MB Clearfork Project produced 2,133 bbls of oil net to Strike, up 12% 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. The well produced 1,523 bbls of oil and 3,064 Mcf of gas net to Strike during the quarter.

Strike's production for the September quarter, and the previous quarter, is summarised in Table 1 below.

Table 1 – Strike's quarterly production

	SEPT QTR 2013	JUN QTR 2013	QUARTERLY CHANGE
EAGLEWOOD JV – CYPRESS RAVEN (WILCOX)			
Gas (Mcf)	96,525	95,688	1%
Oil (Bbl)	2,179	2,135	2%
Barrels of oil equivalent (Boe) ¹	18,267	18,083	1%
Mcf of gas equivalent (Mcf) ¹	109,599	108,497	1%
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas (Mcf)	1,510	2,076	(27%)
Oil (Bbl)	2,133	1,902	12%
Barrels of oil equivalent (Boe) ¹	2,384	2,248	6%
Mcf of gas equivalent (Mcf) ¹	14,307	13,489	6%
EAGLE FORD SHALE – BIGHAM 1H			
Gas (Mcf)	3,064	4,687	(35%)
Oil (Bbl)	1,523	2,066	(26%)
Barrels of oil equivalent (Boe) ¹	2,034	2,847	(29%)
Mcf of gas equivalent (Mcf) ¹	12,202	17,083	(29%)
TOTAL			
Gas (Mcf)	101,099	102,451	(1%)
Oil (Bbl)	5,835	6,103	(4%)
Barrels of oil equivalent (Boe) ¹	22,685	23,178	(2%)
Mcf of gas equivalent (Mcf) ¹	136,108	139,069	(2%)

* 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 27 Mcf of gas = 1 Bbl of oil

REVENUES

Strike generated revenues of \$1.128m during the September quarter, down 1% from the previous quarter.

Strike's revenues for the September quarter, and the previous quarter, are summarised in Table 2 below.

Table 2– Strike's quarterly revenues from production

	SEPT QTR 2013 AUD '000	JUNE QTR 2013 AUD '000	QUARTERLY CHANGE
EAGLEWOOD JV – CYPRESS RAVEN (WILCOX)			
Gas	410	481	(15%)
Oil	255	229	11%
Total	665	710	(6%)
Gross margin	67%	68%	
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas	19	4	373%
Oil	241	178	35%
Total	259	182	43%
Gross margin	56%	52%	
EAGLE FORD SHALE – BIGHAM 1H			
Gas	12	22	(45%)
Oil	192	224	(14%)
Total	204	246	(17%)
Gross margin	58%	47%	
TOTAL			
Gas	441	507	(13%)
Oil	687	631	9%
Total	1,128	1,138	(1%)
Gross margin	63%	64%	

Average realised oil prices during the September quarter were \$118/Bbl, up 14% from \$103/Bbl in the previous quarter.

Average realised gas prices were \$4.36/Mcf, down 12% from \$4.95/Mcf in the previous quarter.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

STRIKE ENERGY LIMITED

ABN

59 078 012 745

Quarter ended ("current quarter")

30 SEPTEMBER 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,215	1,215
1.2 Payments for (a) exploration & evaluation	(414)	(414)
(b) development	(3,694)	(3,694)
(c) production	(478)	(478)
(d) administration	(1,556)	(1,556)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	16
1.5 Interest and other costs of finance paid	(153)	(153)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(184)	(184)
Net Operating Cash Flows	(5,248)	(5,248)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(156)	(156)
(b) equity investments	-	-
(c) other fixed assets	(2)	(2)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(158)	(158)
1.13 Total operating and investing cash flows (carried forward)	(5,406)	(5,406)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,406)	(5,406)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	8,732	8,732
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	5,051	5,051
1.17	Repayment of borrowings	(512)	(512)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		13,271	13,271
Net increase (decrease) in cash held		7,865	7,865
1.20	Cash at beginning of quarter/year to date	1,408	1,408
1.21	Exchange rate adjustments to item 1.20	(2)	(2)
1.22	Cash at end of quarter	9,271	9,271

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	272
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	6,445	5,324
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(5,546)
4.2 Development	-
4.3 Production	(475)
4.4 Administration	(977)
Total	(6,998)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,145	1,347
5.2 Deposits at call	7,000	-
5.3 Bank overdraft	-	-
5.4 Other – Share of JV bank accounts	126	61
Total: cash at end of quarter (item 1.22)	9,271	1,408

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference ⁺securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	⁺Ordinary securities	706,519,664	706,519,664		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	92,000,000	92,000,000	10 cents	10 cents
7.5	⁺Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>			Exercise price	Expiry date
		675,000		32 cents	21 Oct 2013
		500,000		25 cents	21 Oct 2013
		6,000,000		20 cents	31 Aug 2014
		500,000		20 cents	01 Nov 2015
		9,500,000		20 cents	18 Nov 2016
		1,000,000		20 cents	01 Nov 2017
		3,000,000		20 cents	18 Nov 2018
		200,000		18 cents	10 Apr 2018
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
Company Secretary

Date: 30 October 2013

Print name: Salina Michels
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+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.