

PROVING-UP THE POTENTIAL OF STRIKE'S UNCONVENTIONAL ASSETS

- **Cooper Basin – drilling of the Marsden 1 coal and shale evaluation well**
- **Eagle Ford Shale – over 9,400 net acres now leased**
- **Successful capital raising**

OVERVIEW

Strike Energy Limited ("Strike") is pleased to update shareholders on its activities for the March 2012 quarter.

Strike's focus remains on the exploration and development of its key unconventional assets – the Cooper Basin in South Australia and the Eagle Ford Shale in Texas. During the quarter, significant progress was made on both assets. Strike also successfully raised new capital to fund exploration and development activities at these assets.

Cooper Basin

Strike participated in its first Cooper Basin coal and shale evaluation well, Marsden 1, in PEL 95 (Strike 50%, Beach Energy 50%). The well, which reached total depth after the end of the quarter, encountered over 800 metres of Permian sediments, including thick sections of the target Toolachee, REM and Patchawarra formations. Marsden 1 recorded elevated gas shows in the target formations and the presence of heavy hydrocarbons, highlighting the unconventional hydrocarbon resource potential of the Southern Cooper Basin.

Eagle Ford Shale

Strike continued its Eagle Ford Shale leasing program. During the quarter, the company acquired an additional 1,300 net lease acres. As at 31 March 2012, Strike held 34,288 gross / 9,429 net acres with a focus upon the attractive gas-condensate fairway. Strike's joint venture is now finalising arrangements for its first horizontal Eagle Ford production well which is expected to spud mid-year.

Strike has an exciting and important six months ahead, with further evaluation drilling in the Cooper Basin and initial production drilling planned in the Eagle Ford Shale.

OUR STRENGTHS

- Quality Assets
- Experienced Team
- Major Growth Potential

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Activities Report



Strike Energy Limited

ABN 59 078 012 745

18 April 2012

PRODUCTION

Strike has conventional production from its 40% interest in the Louise gas-condensate field in South Texas. The Louise field's Gardner Duncan 1 well has produced without decline at approximately 4,000 Mcf of gas and 100 Bbl of condensate per day (1,600 Mcf and 40 Bbl per day net to Strike) since commencing in April 2010. Strike also has oil production from its 25% interest in the MB Clearfork Project in the Permian Basin, West Texas that was acquired in November 2011.

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

	Jan – Mar 2012	Oct – Dec 2011	Quarterly Change
EAGLEWOOD JV – LOUISE GAS-CONDENSATE FIELD			
Gas (Mcf)	145,904	153,618	-5%
Oil (Bbl)	3,763	3,464	9%
Barrels of oil equivalent (Boe) ¹	28,080	29,067	-3%
Mcf of gas equivalent (Mcfe) ¹	168,482	174,404	-3%
PERMIAN BASIN – MB CLEARFORK PROJECT²			
Gas (Mcf)	1,812	782	132%
Oil (Bbl)	1,476	1,452	2%
Barrels of oil equivalent (Boe) ¹	1,778	1,583	12%
Mcf of gas equivalent (Mcfe) ¹	10,668	9,496	12%
TOTAL			
Gas (Mcf)	147,716	154,400	-4%
Oil (Bbl)	5,239	4,917	7%
Barrels of oil equivalent (Boe) ¹	29,858	30,650	-3%
Mcf of gas equivalent (Mcfe) ¹	179,150	183,899	-3%

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 31 Mcf gas = 1 bbl oil.

² Acquired in November 2011

The Louise-Gas field was briefly shut-in during the quarter to replace wellhead equipment, resulting in lower gas production, although condensate production was higher due to the timing of product sales.

The MB Clearfork Project contributed a full quarter of production compared with two months in the previous quarter (the asset was acquired in November 2011). Gas production was substantially higher, although oil production was flat due to the timing of product sales.

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REVENUES

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

Revenues (A\$'000)	Jan – Mar 2012	Oct – Dec 2011	Quarterly Change
EAGLEWOOD JV – LOUISE GAS-CONDENSATE FIELD			
Gas	508	722	-30%
Oil	368	297	24%
Total	876	1,019	-14%
Gross margin	61%	68%	
PERMIAN BASIN – MB CLEARFORK PROJECT ¹			
Gas	8	4	119%
Oil	200	131	53%
Total	208	135	54%
Gross margin	53%	68%	
TOTAL			
Gas	516	726	-29%
Oil	568	428	33%
Total	1,084	1,154	-6%
Gross margin	58%	68%	

¹ Acquired in November 2011

Average realised oil prices during the quarter increased to \$108/Bbl, up significantly from \$87.00/Bbl in the previous quarter. However, record low natural gas prices in the USA caused total revenue to fall by 6%. Average realised gas prices were \$3.49/Mcf, down from \$4.70/Mcf in the previous quarter.

EXPLORATION

Cooper Basin, South Australia

Strike has a large 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 first unconventional evaluation well, Marsden 1, to test the Permian coal and shale formations within the Battunga Trough in PEL 95. The well spudded on 22 February, and following a three week suspension due to heavy rains, it reached a total depth of 2,625 metres on 10 April. Marsden 1 encountered over 800 metres of Permian sediments, including thick sections of the target Toolachee Formation, Roseneath Shale, Epsilon Formation and Murteree Shale (together 'REM') and Patchawarra Formation. Wireline log data demonstrated coal and shale thicknesses that match or better pre-drill expectations and exceed the values used in Strike's resource model. Marsden 1 recorded elevated gas readings in the target formations and the presence of heavy

hydrocarbons up to pentane (C5). These results affirm the company's view that the Southern Flank of the Cooper Basin has the potential to be a world-class unconventional hydrocarbon region. Cores and cuttings from Marsden 1 have been sent for laboratory analysis and the well has been cased and suspended for future testing.

The Ensign 918 rig that drilled Marsden 1 will now shift to the site of Strike's second unconventional evaluation well, Davenport 1, that will test the Permian sections of the Milpera Trough in PEL 94. Data from Marsden 1 and Davenport 1 will be used to shape Strike's follow-on Cooper Basin exploration and development program.

Strike notes that Senex Energy also drilled an unconventional well in the Southern Cooper Basin during the quarter. The Sasanof 1 well in PEL 516, immediately to the north of Strike's PEL 95, recorded "significant gas shows and the presence of liquids-rich gas" leading Senex Energy to conclude that "the Southern Cooper Basin could host a world-class unconventional gas resource."

Eagle Ford Shale, Texas

Strike has a 27.5% interest in the Eagle Landing Joint Venture that has built a sizeable lease position in the Eagle Ford Shale within Fayette and Lavaca Counties, Texas. The Eagle Ford Shale has emerged as one of the world's premier unconventional plays due to high condensate and natural gas liquid production ratios.

During the quarter, the Eagle Landing Joint Venture increased its leasehold acreage by 16% to 34,288 acres (9,429 acres net to Strike) as at 31 March 2012. Importantly, the new leases consolidate the joint venture's existing acreage area, creating a more contiguous lease area and greater ability to optimise well locations. Leasing activity is now expected to slow as almost all of the properties in the vicinity of Strike's acreage have been leased by the joint venture or other parties.

Also during the quarter, the joint venture advanced plans for its first horizontal production well which is expected to spud mid-year. In addition, Strike committed to a 3D seismic survey over the joint venture's entire lease area.

Strike notes that there is substantial drilling activity by other operators in the vicinity of the company's acreage, with at least fifteen wells expected to spud during 2012 (compared to three in 2011). Strike expects to benefit from the increased interest and activity in and around its Fayette and Lavaca County acreage.

Permian Basin, Texas

Strike has a 25% interest in the MB Clearfork Project in the Permian Basin, Texas. The project has existing conventional oil reserves and production, with considerable potential upside from the undeveloped Lower Clearfork Shale that underlies the conventional oil fields. During the quarter, the operator of the MB Clearfork Project conducted a detailed technical review of the project and is currently finalising a development plan that is likely, at first instance, to involve a series of low-cost infill wells, re-fracs and workovers to increase conventional production.

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 activity was undertaken during the quarter at Strike's other assets – Eaglewood Joint Venture (Texas), Wilcox Slope (Louisiana), Carnarvon Basin (Western Australia) or the Kingston Lignite Project (South Australia).

CORPORATE

Following a review of Strike's assets and strategy in Q4/2011, management's focus is firmly upon advancing the company's high-impact unconventional assets – particularly the Cooper Basin and Eagle Ford Shale – and ensuring the company is adequately staffed and funded to do so effectively.

In January, Strike offered all shareholders the opportunity to participate in an entitlement offer and a share top-up facility to raise approximately \$3.1 million. The entitlement offer was well supported with approximately 70% of entitlements being exercised and the share top-up facility was about four-times over-subscribed.

In March, Strike announced a \$20 million placement to sophisticated and institutional investors. Demand for the placement was very strong and the company is pleased to welcome a number of leading institutional investors as new shareholders. The first tranche of the placement (approximately \$7.8 million) was within Strike's 15% placement capacity permitted by the Corporations Law and has been completed. The second tranche (approximately \$12.2 million) is subject to shareholder approval to be sought at an Extraordinary General Meeting to be held in Perth on Monday, 30 April.

Importantly, Strike is now well funded to advance its key unconventional assets, including production drilling in the Eagle Ford Shale and follow-on exploration drilling within the Cooper Basin.

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ABN 59 078 012 745

18 April 2012

Strike's corporate information as at 31 March 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:	496,872,605
Unlisted Options:	31,275,000

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Share Register

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