STRIKE ENERGY LIMITED

QUARTERLY REPORT

For the period ending 31 March 2014

March Quarter Performance Summary

Key quarterly objectives	Key Achievements
Southern Cooper Gas Project	
PEL 96 Appraisal	✔ Completed Le Chiffre and Klebb drilling program. Results exceed pre-drill expectations. ✔ Prospective resource upgrade for PEL 96 permit area to 4.5 Tcf (Pmean estimate, net STX). ✔ Completed planning of the appraisal completion program for Le Chiffre and Klebb while co-ordinating planning activities for the completion of the Davenport well (PEL 94 – Beach operator). ✔ Planning commenced for the acceleration of an extended production testing program (PEL96).
Finalise gas offtake discussions	✔ New gas supply agreements executed with Orora (30PJ) and Austral Bricks (12.5PJ). ✔ Expanded gas supply agreement entered into with Orica (increased from 150PJ to 250PJ).
Strengthen funding position	✔ Secured Orica as an investor (up to $5.0 million subject to shareholder approval). ✔ Initial gas supply option agreement payments received from Orora and Austral Bricks (initiated by the announcement of PPTP). ✔ $12.7 million (prior to costs) raised through capital raising. ✔ $3.0 million through an innovative non-recourse R&D facility.
US Operations	
Review of US assets	✔ Scotia appointed by the Eagle Ford JV to run bid process to monetise acreage. ✔ Announced intention to divest balance of US portfolio.

Managing Director Comments

The March Quarter was a very active period for the Company with a number of significant milestones achieved which will provide the technical and financial foundations to accelerate the appraisal and development of the Company's Southern Cooper Basin Gas Project over the coming quarters.

Following on from the results of our drilling programme completed in early January, the Company was pleased to announce a revision to the prospective resource estimate for the PEL 96 permit to **4.5 Tcf (Pmean estimate, net STX)** and for the **Phase One Area to 1.2 Tcf (Pmean estimate, net STX)**.

Our operating focus during the quarter has been on the planning and mobilisation for the fracture stimulation and flow testing at the Le Chiffre and Klebb wells within PEL 96. During the period the PEL 96 Joint Operating Committee approved the initial Pilot Production Testing Program (PPTP) with major vendors selected and the necessary regulatory and permitting requirements completed. In planning for these activities within the PEL 96 permit area, Strike has coordinated its activities with Beach Energy Limited, operator of PEL 94 (STX 35%), to enable the Davenport well to be fracture stimulated and tested in a co-ordinated manner with the PEL 96 wells commencing in the June 2014 Quarter.

On the commercial front, Strike signed a gas supply and prepayment agreement with Orica, for up to 250 PJ over 20 years. Under the terms of this agreement Orica can elect to make prepayments of up to $47.5 million to secure gas supply. Separately, Strike was pleased to announce the signing of agreements which will allow Orica to subscribe for up to $5.0 million of equity in the Company (subject to shareholder approval).

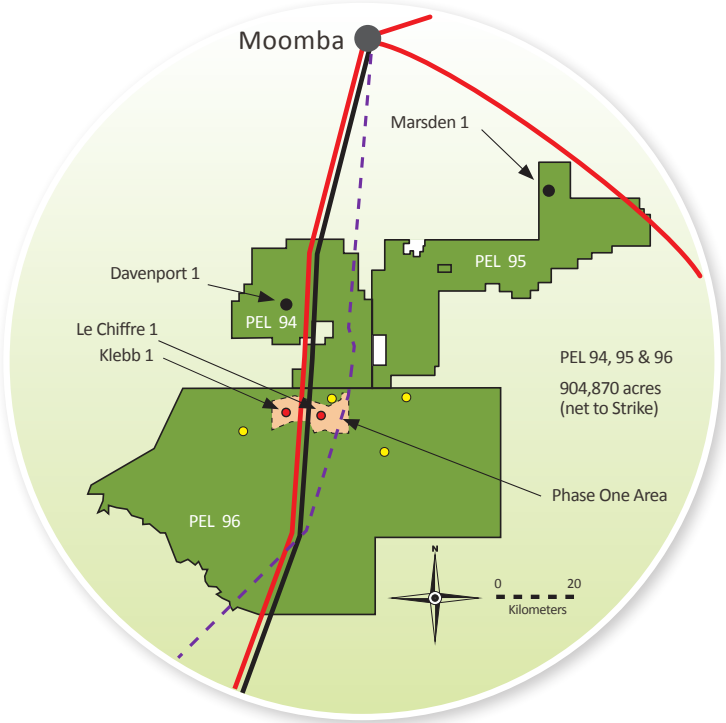
In addition to the Orica agreement, the Group also entered into gas option supply agreements during the quarter with Orora Limited (30PJ) and Austral Bricks (12.5PJ).

Complementing these commercial off-take agreements, the Group was pleased to announce the successful completion of a $12.7 million private capital placement to sophisticated and professional investors, while separately finalising an innovative $3.0 million limited recourse R&D funding facility with Macquarie Bank.

In the US, the Group continues to work with Cypress and our joint venture partners in the Eagle Ford Joint Venture to monetise this acreage under a formal sale process expected to be concluded in the June 2014 quarter.

The Company finished the March 2014 quarter with cash of $13.1 million and had $15.2 million as at 14 April 2014. The funding transactions completed in the quarter, will deliver in aggregate in excess of $30.0 million over the 2014 calendar year (excluding any proceeds from the US sale processes, but assuming the requisite shareholder approvals and positive technical and commercial outcomes from Phase 1 of the PPTP), placing the Company in a strong position to continue to accelerate the rapid commercialisation of its Southern Cooper Basin Gas Project.

David Wrench
Managing Director



Southern Cooper Basin Gas Project

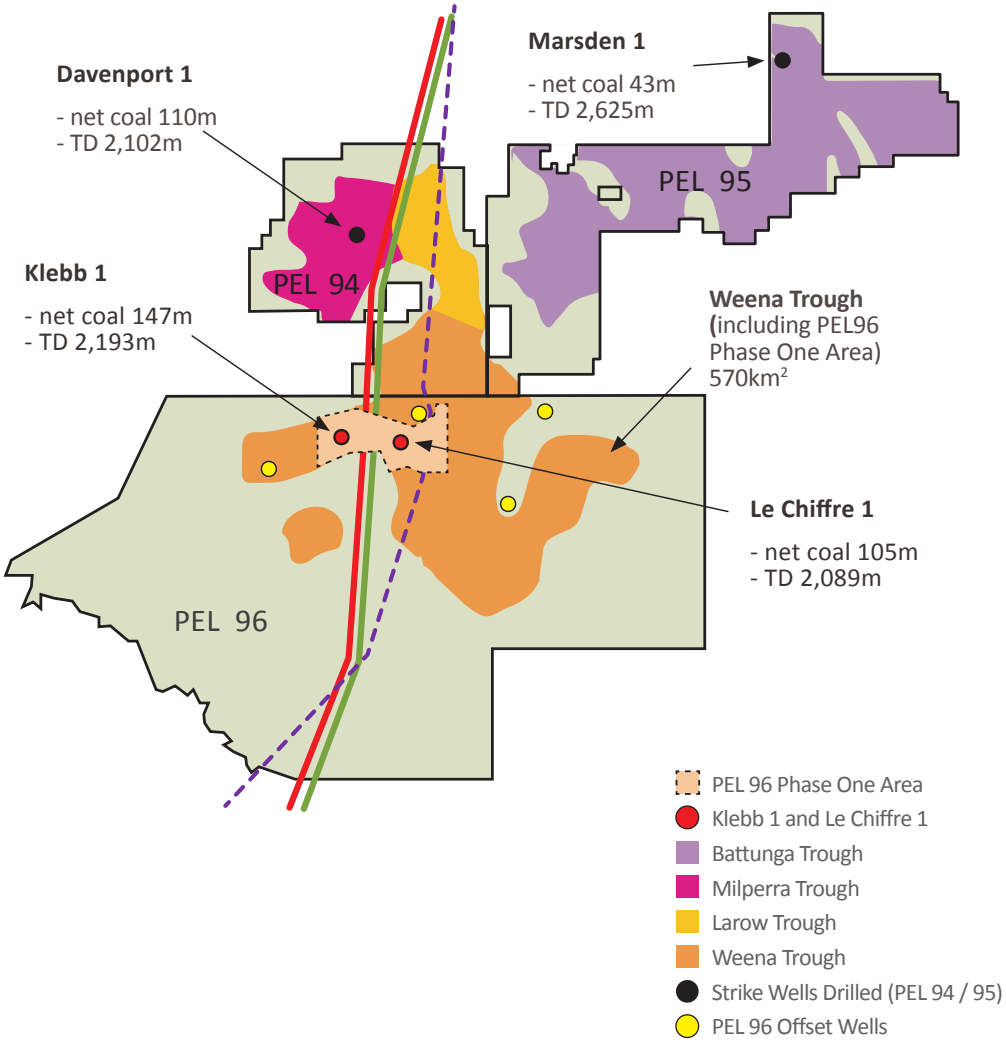
During the quarter the Company successfully completed its operated appraisal drilling program in PEL 96 (STX 66.67% EWC 33.33%). Results at both locations were in excess of the pre-drill expectations with 105m of net coal being encountered at Le Chiffre 1 and 147m at Klebb 1. Both wells have been cased and suspended in preparation for the planned stimulation and testing operations.

Good gas shows were encountered at both wells whilst drilling through the coals and subsequent core analysis indicates that the inertinite rich coals have very low moisture content and are likely gas saturated. Results from these wells were used to revise the prospective resource estimate for the PEL 96 permit to **4.5 Tcf (Pmean estimate, net STX)** and for the **Phase One Area to 1.2 Tcf (Pmean estimate, net STX)** as announced on 19 February 2014.

The PEL 96 Joint Operating Committee (JOC) during the quarter met to review and endorse phase 1 of the proposed Production Pilot Testing Program (PPTP) and the associated budgets. The JOC committed to the plan to fracture stimulate and test the Le Chiffre 1 and Klebb 1 wells commencing in the June 2014 Quarter. An environmental assessment report and hydrological report was completed during the quarter and submitted to the South Australian regulator for review as part of the regulatory approval process. Preferred major vendors have been selected and contracting has commenced.

Beach Energy Limited (BPT) is progressing plans to fracture stimulate and test the Davenport 1 well in PEL 94 (STX 35%). Beach and Strike are coordinating activities in these adjacent permit areas to allow the stimulation operations at Davenport 1 to follow those at Le Chiffre 1 and Klebb 1.

Conceptual development well design and completion cost studies were completed during the quarter and preliminary planning commenced for a second phase of PEL 96 drilling, to accelerate the Company's rapid commercialisation of this area, with operations planned to commence in the second half of 2014.



US operational update

US Exploration and Evaluation Activities

Eagle Ford Shale, Eagle Landing Joint Venture (STX Interest 27.5%)

As announced on 25 February 2014, the Eagle Landing Joint Venture participants engaged Scotia Waterous (USA) Inc. (Scotia) to market the JV's Eagle Ford acreage. The sale process is well underway with a number of companies expressing interest in the sale package. Dataroom presentations are currently in progress with preliminary bids expected by the end of April.

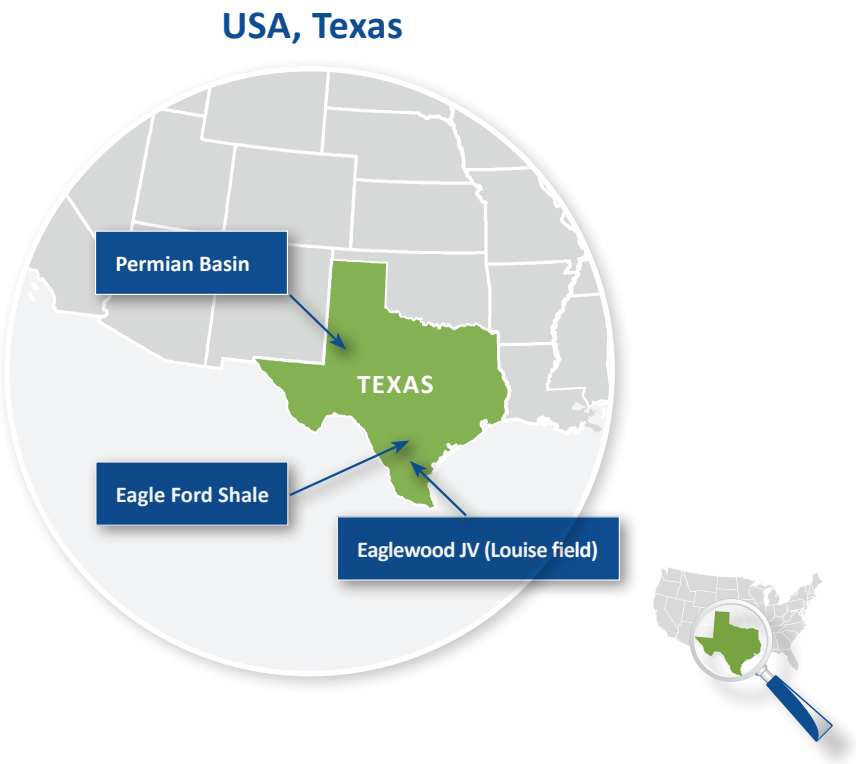
Conventional Prospects

The operator of the Eagle Ford joint venture has identified a number of carbonate prospects within the Upper Edwards formation based on 3-D seismic amplitude anomalies. The Murphy Gas Unit 1 well spudded on 26 March 2014 and was logged on 8 April 2014 testing the first of these prospects. The Edwards formation was evaluated via wireline logging and sidewall cores, with no porosity being noted. As a result the Joint Venture has decided to plug and abandon the well.

As previously announced, Strike has entered into an agreement to farm-out its' interest in the Edwards prospects to Fairways Exploration & Production, LLC ("Fairways"). Under this agreement, Fairways fully funded Strike's share of the drilling costs of the well.

Permian Basin (STX Interest 25%)

The Eoff 3 well, being a follow-up to the Maybee Clearfork Unit 17 ("MBCU#17") well (drilled in October 2013), spudded on 8 March 2014 and has been cased and suspended for future fracture stimulation. Log results have confirmed that the Lower Clearfork Shale interval, successfully fracced in the MBCU#17 well, is well developed at this location. The operator is currently finalising the completion plan and intends to undertake a multistage fracture stimulation and production testing program across the Lower Clearfork shale during May.



US operational update

US Production

Strike currently produces oil and gas from three independent assets. Total oil production for the quarter was 4,990 bbls down 14% on the prior quarter and gas production was 78,042Mcf down 18% on the prior quarter. Total sales revenue for the quarter of $1.0 million was down by 7% on the prior quarter with the decline in production partially offset by increased oil and gas prices. The realised gross margins for the quarter increased to 61% resulting in a gross margin improvement of $72,216 compared to the previous quarter.

The Eaglewood Joint Venture (Strike 40% WI) produced 73,028 Mcf of gas and 1,654 bbls of oil net to Strike during the March quarter, down 20% for gas and 8% for oil on the previous quarter. The pipeline transporting the Gardner-Duncan gas was shut down for 9 days in March due to maintenance and is now on line with gas production from the well restored to normal operating levels.

The MB Clearfork Project (Strike 25% WI) produces oil from 19 conventional Permian Basin wells in Martin County, Texas. During the March quarter, the MB Clearfork Project produced 3,139 Mcf of gas and 2,231 bbls of oil net to Strike, up 35% for gas and down 19% for oil from 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 1,875 Mcf of gas and 1,104 bbls of oil net to Strike during the quarter, down 14% for gas and 13% for oil on the previous quarter.

Average realised prices during the March quarter were $106.40/Bbl, up 3% from $103.5/Bbl in the previous quarter for oil and $6.02/Mcf, up 22% from $4.94/Mcf for gas in the previous quarter.

	MARCH QTR 2014	DEC QTR 2013	QUARTERLY CHANGE
EAGLEWOOD JV – CYPRESS RAVEN (WILCOX)			
Gas (Mcf)	73,028	91,065	-20%
Oil (Bbl)	1,654	1,797	-8%
Total Revenue (AUD'000)	622	645	-4%
Gross margin (%)	69%	60%	
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas (Mcf)	3,139	2,325	35%
Oil (Bbl)	2,231	2,764	-19%
Total Revenue (AUD'000) *	246	286	-14%
Gross margin (%)	47%	31%	
EAGLE FORD SHALE – BIGHAM 1H			
Gas (Mcf)	1,875	2,185	-14%
Oil (Bbl)	1,104	1,262	-13%
Total Revenue (AUD'000)	132	144	-8%
Gross margin (%)	54%	44%	
TOTAL			
Gas (Mcf)	78,042	95,575	-18%
Oil (Bbl)	4,990	5,823	-14%
Total Revenue (AUD'000)	1,000	1,074	-7%
Gross margin (%)	61%	50%	

Based on industry convention energy equivalence 6 Mcf of gas = 1 Bbl of oil

* The reported December quarterly revenue benefited for a prior period operator adjustment to oil revenue of $58,991. Adjusting for the impact of this amount, revenue for the December quarter would have been $214,054. On an adjusted basis, results for the March quarter reflect a 9% increase on the December quarter revenue.

Commercial Update

During the quarter, the Company completed a number of watershed commercial offtake agreements for the Southern Cooper Basin Gas Project centred around the PEL96 permit area for a total of 292.5PJ of gas with a number of key major industrial gas consumers. The offtake agreements are innovative, with balanced risk and reward profiles that incorporate a portfolio of production-cost based, fixed/indexed and market linked pricing. The take or pay contracts are all conditional upon the final investment decision of the PEL 96 joint venture to proceed with the initial commercialisation of the Project within the Phase One Area.

Gas supply agreements were signed with Orora Limited on 15 January, 2014 and Austral Bricks, a subsidiary of Brickworks Limited, on 27 February, 2014, for 30PJ and 12.5PJ, respectively. Under the terms of these agreements, Orora and Austral Bricks agreed to make gas pre-payments in consideration of the grant of an option to enter into a take or pay contract at a fixed/indexed price over a 10 year term from 2017, the expected commencement date of production from the Southern Cooper Basin Gas Project.

On 25 March, 2014, the Company signed a gas supply agreement with its foundation customer, Orica which superseded and augmented the binding term sheet announced in July, 2013 for up to 150PJ of gas. Under the terms of the new gas supply agreement Orica has increased the prospective gas supply to 250PJ over a 20 year term and contemplate potential Project funding of $47.5 million by way of elective pre-payments for gas that align with key Project development milestones.

Strategically, these agreements substantiate the industrial demand element of the original investment thesis for the Company's Southern Cooper Basin gas play.

Orora
Gas Supply Option Agreement
for up to **30PJ**
15 January, 2014

Orica
Foundation Gas Supply Agreement
for up to **250PJ**
25 March, 2014

Austral Bricks
Gas Supply Option Agreement
for up to **12.5PJ**
27 February, 2014

Finance and Corporate Update

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

Security Information

Shares on issue: 812,497,613
Options on issue: 20,200,000

Analyst Coverage

Firm	Analyst
Blackswan Equities	Michael Eidne
Bell Potter	Di Brookman
Lonsec	Tim Gerrard
Ord Minnett	John Young
RBC Capital	Andrew Williams
Wilson HTM	James Redfern

During the March quarter a number of transactions were completed to fund the accelerated appraisal and development of the Company's Southern Cooper Basin Gas project. The transactions completed during the quarter include:

- A limited recourse $3.0 million loan facility with Macquarie Bank to provide pre-funding for eligible R&D expenditure to be incurred during FY 2014. The Company made an initial draw down on 30 January 2014 of $2.5 million under the facility.
- A successful placement of approximately 106 million shares at $0.12 per share to sophisticated and professional investors raising $12.7 million.
- A share subscription and option agreement with Orica Ltd. Under the Share Subscription Agreement the Company will issue 20.8 million shares at $0.12 per share to Orica, to raise $2.5 million. The Option Agreement separately gives Orica the right acquire an additional $2.5 million worth of shares. The number of shares able to be issued under this agreement (if exercised) will be determined with reference to the higher of $0.12 per share and the 10 day VWAP immediately prior to the exercise date discounted by 10%, with Orica able to exercise this option following three months of production testing from the first phase of the PPTP. It is currently estimated that this will occur around November 2014. The Company is in the process of convening an Extraordinary General Meeting (EGM) to approve the issue to Orica of the shares under the share subscription and option agreements. Materials and the notice of meeting for the EGM will be sent to shareholders shortly.

As announced on 7 April 2014, the Company served notices to its partner in the PEL 96 Joint Venture, Australian Gasfield Limited a subsidiary of Energy World Corporation Limited [ASX: EWC], relating to its failure to rectify the non-payment of Joint Venture cash calls totalling in excess of $1.4 million. AGL has now paid in full its over-due Joint Venture cash calls plus amounts due for the next stage of the fracture simulation program, while also entering into a Deed of cross security. This Deed (which is an industry standard document) is commonly used to ensure compliance with and the timely payment of cash calls by parties to an unincorporated Joint Venture, such as PEL 96, as the venture moves into the development phase of operation.

At the close of the quarter, the Group reported cash on hand of $ 13.1 million. Subsequent to the end of the quarter, the Group received gas pre-payments from existing commercial off-takers and the reimbursement of outstanding cash calls from its partner in the PEL 96 Joint Venture, AGL. The Company's cash balance was $15.2 million as at 14 April 2014.

Rule 5.3

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	Quarter ended ("current quarter")
59 078 012 745	**31 March 2014**

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (9 months) $A'000
	Cash flows related to operating activities		
1.1	Receipts from product sales and related debtors (1)	2,074	4,458
1.2	Payments for (a) exploration & evaluation	(4,811)	(10,479)
	(b) development	(497)	(2,915)
	(c) production	(368)	(1,419)
	(d) administration	(704)	(3,571)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) (2)	647	797
	Net Operating Cash Flows	(3,659)	(13,129)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	(68)	(869)
	(b) equity investments	-	-
	(c) other fixed assets	-	(12)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities (3)	(1,063)	(1,063)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(1,131)	(1,944)
1.13	Total operating and investing cash flows (carried forward)	(4,790)	(15,073)

Certain items in the consolidated statement of cash flow have been re-presented on a YTD basis to conform with the Groups current period presentation.

(1) Receipts from product sales and related debtors for the quarter includes $ 1.0 million under gas prepayment agreements with existing commercial off takers.

(2) Other for the quarter includes the receipt of $ 531,700 from the ATO relating to the FY 13 R&D return.

(3) Reflect the advances made to the PEL 96 Joint Venture as a result of the delayed settlement of cash calls by AGL.

1.13	Total operating and investing cash flows (brought forward)	(4,790)	(15,073)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options,.(net of costs)	12,155	20,887
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	2,704	7,738
1.17	Repayment of borrowings	(351)	(1,204)
1.18	Dividends paid	-	-
1.19	Other:		
	a. Interest and other cost of financing paid	(429)	(830)
	b. Interest & other items of a similar nature received	36	123
	Net financing cash flows	14,115	26,714
	Net increase (decrease) in cash held	9,325	11,641
1.20	Cash at beginning of quarter/year to date	3,729	1,408
1.21	Exchange rate adjustments to item 1.20	(5)	-
1.22	**Cash at end of quarter**	**13,049**	**13,049**

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 (a)	332
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

(a) In addition to the respective salary and fee payments made to Directors, during the quarter the Group also made payments to M H Carnegie & Co Pty Ltd a director related entity via Mr M Carnegie of $13,132 under the terms of an office leasing agreement. In addition during the quarter, the Group made payments of $79,200 to Mr D Baker for consulting services for the period from December 2013 to February 2014. These services related to the negotiation of the Group's forward Gas supply arrangements and a review of the Group's US assets.

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

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 (1) (2)	9,671	9,171
3.2	Credit standby arrangements	-	-

(1) The Group continues to be a party to both the BlueRock Facility and the Orica Facility on the same terms and conditions as disclosed in the interim financial report for the half year period ended 31 December 2013.

(2) On 29 January 2014, the Group entered into a limited recourse funding facility with Macquarie Bank (the Macquarie Facility) to provide pre-funding for eligible R&D expenditure to be incurred during the year ended 30 June 2014. The Macquarie Facility has an initial limit of $ 3.0 million and can be drawn upon after the eligible R&D expenditure incurred has been validated by the Group's R&D advisors. Repayments under

the Macquarie Facility will be made from the Group's R&D refund. An initial draw down under the facility of $ 2.5 million was made on 30 January 2014.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	4,840
4.2	Development	-
4.3	Production	445
4.4	Administration	1,502
	Total	6,787

The above estimated cash outflows for the next quarter does not take into account the effect cash inflows from the sale of production or forward gas sales prepayment agreements, cash inflows associated with committed lines of financing, the repayment of amounts due from Joint Venture partners and the effect of other cash flow positive activities.

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**	**3,475**	659
5.2	**Deposits at call**	**9,000**	2,000
5.3	**Bank overdraft**	**-**	-
5.4	**Other – Share of JV bank accounts**	**574**	1,070
	Total: cash at end of quarter (item 1.22) (1)	**13,049**	3,729

(1) Subsequent to the end of the financial period, the Group received $1.3 million (including GST) under gas prepayment agreements with existing commercial off takers. In addition the Group received amounts outstanding from its Joint Venture partner AGL relating to cash calls made during the reporting period which were outstanding and were funded by the Group at the balance date, along with amounts due for the first stage of the fracture stimulation program planned for the June 2014 Quarter.

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.

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** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	812,497,613	812,497,613		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	105,977,949	105,977,949	12 cents	12 cents
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*			***Exercise price***	***Expiry date***
		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** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ 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: ..... Date: 16 April 2014
Company Secretary

Print name: Sean McGuinness

+ See chapter 19 for defined terms.

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.