STRIKE ENERGY LIMITED

QUARTERLY REPORT

For the period ending 30 June 2014

June Quarter Performance Summary

Objectives	Key Achievements
Australian Operations	
PEL 96 Appraisal (Southern Cooper Basin)	✔ Completed Le Chiffre and Klebb fracture stimulation and initial production testing program LTI free and on budget. ✔ Exceptional formation productivity observed, further testing required to establish sustained gas flows to surface. ✔ Planning in progress for the next stage of testing.
Gas Offtake	✔ Expanded gas supply agreement entered into with Orora (increased from 30PJ to 45PJ). ✔ Gas supply agreement being finalised with Austral Bricks.
Strong Funding Position	✔ Orica equity subscription ($2.5 million) with an option for an additional placement ($2.5 million) approved by shareholders. ✔ Further gas supply option payment received from Orora (linked to increased GSA quantity). ✔ Year ending 30 June 2014 R&D claim documentation in progress for in excess of $5.0 million.
US Operations	
US Assets	✔ Agreement for sale of 1,617 Eagle Ford acres executed, with closing expected within eight weeks. ✔ Exposure to continued success maintained on balance of Eagle Ford acreage.

Managing Director Comments

During the June Quarter the Company achieved a number of key milestones, which have continued to build our understanding of the Southern Cooper Basin Gas Project ("SCBGP") resource and have strengthened our financial foundations to accelerate the further testing and development of the SCBGP over the coming quarters.

Our operating focus during the quarter has been on the execution of the Le Chiffre 1 and Klebb 1 fracture stimulation and initial testing program. The program involved the fracture stimulation of two zones in each well and the cleanup and short term flow back of each well. Field operations were successfully completed LTI free and within budget.

The very high rates experienced during flow back operations (in excess of 5,000 bbls per day at Le Chiffre) and subsequent analysis indicate that the formation permeabilities – in the 10 to 20+ mD range - are exceptional for coals at these depths and significantly exceed our pre-frac expectations.

While hydrocarbons were observed at surface at both wells, we were unable to achieve sustained gas flows to surface due to the limited reservoir pressure drawdown achieved during the short term testing program. Importantly, a range of critical new data has been obtained which has improved our understanding of the reservoir system. Planning for the next stage of testing is well underway and we look forward to announcing the details of the program and timing in the near term.

Preliminary reservoir modelling, assuming only measured gas desorption volumes and the observed formation permeabilities, indicate that recoveries in excess of 2 bcf per well are achievable. In addition, cost savings resulting from significantly reduced stimulation requirements underpin robust well and project development economics.

During the quarter, Strike executed the previously announced Gas Supply Agreement (GSA) with Orora Limited (ASX:ORA) for 45 PJ, which extends the original 30PJ agreement as announced in early January. This GSA complements the foundation contract for up to 250 PJ of gas with Orica and 12.5 PJ off take agreement with Austral Bricks.

In the US, the Group was pleased to sign a sale agreement for 1,617 acres of its' Eagle Ford position which we expect to close within the next eight weeks. Furthermore, the Eagle Ford Joint Venture is working to further the evaluation of the balance of the JV acreage through participation by an experienced operator. The sale and further evaluation plan is consistent with the Company's strategy to focus resources towards the Southern Cooper Basin Gas Project while maintaining a low cost exposure to continued success in the Eagle Ford.

At the General Meeting of Shareholders held during the quarter, approval was received to issue to Orica (ASX:ORI) 20,833,333 shares for a consideration of $2.5million and a separate option to acquire up to an additional 20,8333,333 shares for an additional $2.5 million. The Board is pleased to welcome Orica as key shareholder of Strike.

At the close of the quarter, the Group reported cash on hand of $10.4 million. Subsequent to the end of the quarter, the Group received further gas pre-payments $0.6 million and is progressing an R&D tax refund claim for over $5.0 million relating to expenditure incurred in the June 2014 financial year. This funding base plus the additional proceeds to be received from the Eagle Ford sale gives the company a sound financial position to accelerate the evaluation of the SCBGP.

The recently announced Board appointments and strengthening of the management team are further steps in building the Company's ability to realise the tremendous opportunity emerging from the Company's Southern Cooper Basin Gas Project.

David Wrench
Managing Director

Southern Cooper Basin Gas Project

During the quarter the Company successfully completed the fracture stimulation program in PEL 96 (STX 66.67%, EWC 33.33%). The operations were completed LTI free and are expected to come within budget. Results at both locations confirmed very high formation productivity and suggest that future wells may not require stimulation to flow at high rates.

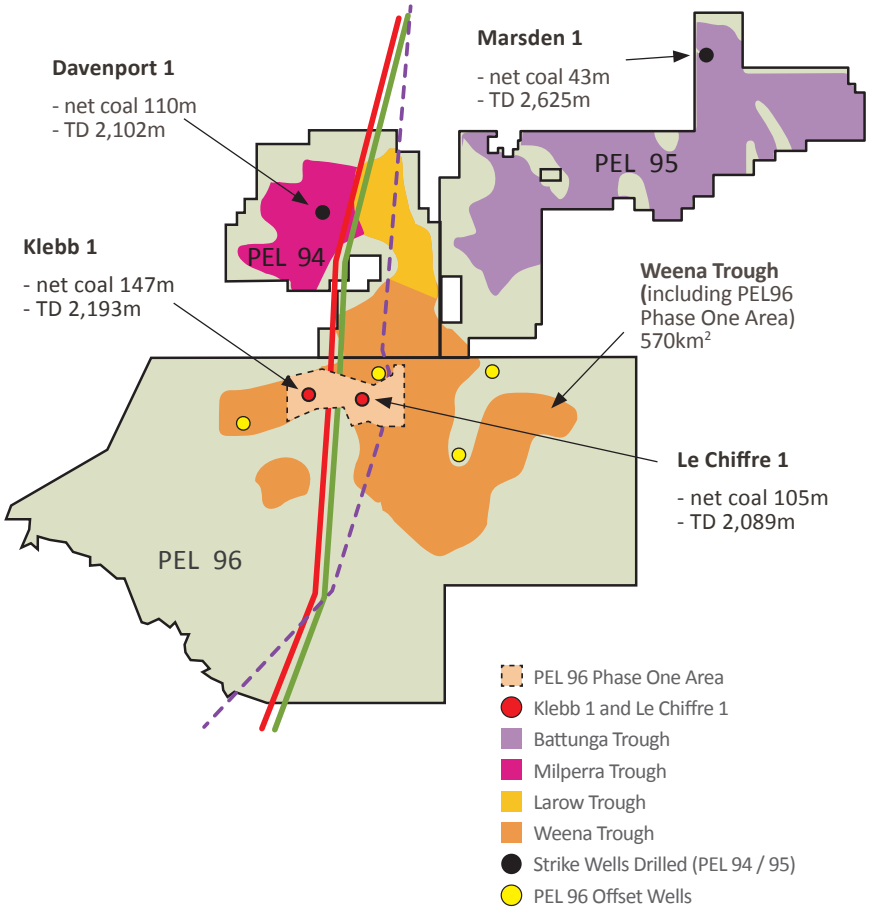
Analysis of the fracture stimulation and the flow back rates and pressures indicate that the coals at Le Chiffre have average permeability of up to **25 mD** with those at Klebb up to **16 mD.** These are exceptional permeabilities for coals at these depths and when combined with the formation thickness result in productivities which significantly exceed our pre-test expectations.

Well	Target Seams	Total Net Coal	Frac Fluid pumped	Fluid Recovered
Le Chiffre 1	Patchawarra Vu Upper & Lower	50m	6,400bbls	5,200bbls
Klebb 1	Patchawarra Vu Upper & Lower	50m	2,760bbls	2,800bbls

A more accurate estimate of the in-situ gas saturation of the coals requires further production testing. This testing phase will be designed to achieve a reduction in reservoir pressure around the existing wells sufficient to establish sustained gas flow and will require pumps to be installed in the existing wells together with offset wells to be drilled and completed.

The planning for this program, including water management, is currently underway in parallel with ongoing analysis of the test results obtained to date. In the interim, equipment used in the fracture stimulation has been demobilised from site.

Beach Energy Limited (BPT) continued to progress plans to test the Davenport 1 well in PEL 94 (STX 35%).



US operations update

US Exploration and Evaluation Activities

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

As announced on 11 July 2014, Strike entered into a Purchase and Sale Agreement (PSA) with Penn Virginia Oil & Gas (PVOG) to sell 1,617 net acres in Lavaca County, Texas. The PVOG PSA contains customary pre closing conditions including landowner approvals, with closing expected to occur within eight weeks.

The sale proceeds, net of transaction costs, is expected to be approximately US$4.5 million.

Subject to the completion of the sale to PVOG, the Eagle Ford JV participants have agreed to seek a partner to further evaluate the Eagle Ford JV's remaining Fayette County acreage adjacent to the Lavaca County acreage sold to PVOG under the terms of this transaction. It is Strike's objective to minimise any further investment in the Eagle Ford JV whilst retaining exposure to continued success in the play. It is anticipated that leases outside of the core Fayette County acreage will not be extended upon expiration of their primary lease terms, resulting in a progressive reduction in Strike's net acreage interest.

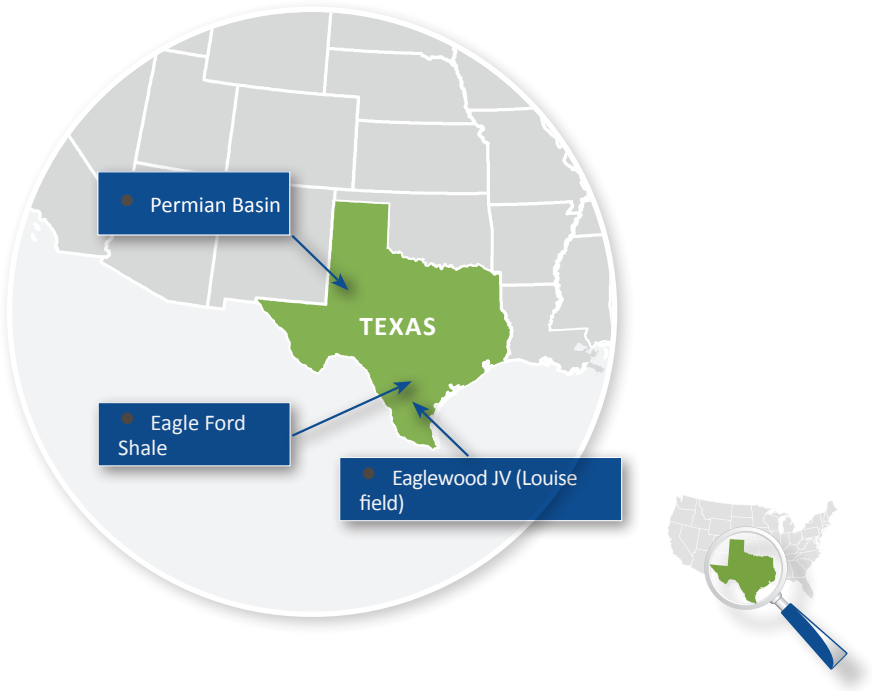
During the latter part of June, the Eagle Ford JV participants entered into an agreement to farm out their interest in the Wolters well, which relieves them of any further obligation with respect to plugging and abandonment.

Permian Basin (STX Interest 25%)

The Eoff 3 well, being a follow-up to the Maybee Clearfork Unit 17 ("MCBU17") well, spudded on 8 March 2014 with the initial stage frac stimulated on 31 May 2014. This stage is the first of two Lower Clearfork shale intervals to be tested prior to adding a zone in the Middle Clearfork. The initial stage (which has not been previously tested in this formation) was treated with a slickwater frac with the well flowing back frac fluid and some formation water without any trace of hydrocarbons. The Permian JV operator is currently finalising a completion proposal and frac design for the next Lower Clearfork shale interval in the wellbore.

US Asset Portfolio

Following the completion of the sale of the Lavaca County acreage, Strike will continue to evaluate opportunities to monetise the remaining elements of the Company's US operations. As the portfolio of US assets currently generates net positive cash flow, any further divestment opportunity will be evaluated in light of the potential upfront sale consideration compared to the value of the asset's future cash flows and potential.



US production update

US Production

Strike currently produces oil and gas from three independent assets. Total oil production for the quarter was 3,998 bbls down 20% on the prior quarter and gas production was 85,728 Mcf up 10% on the prior quarter. Total sales revenue for the quarter of $0.97 million was marginally down by 3% on the prior quarter.

The Eaglewood Joint Venture (Strike 40% WI) produced 81,556 Mcf of gas and 1,585 bbls of oil net to Strike during the quarter, up 12% for gas and down 4% for oil 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 1,977 Mcf of gas and 1,471 bbls of oil net to Strike, down 37% for gas and down 34% 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 2,195 Mcf of gas and 942 bbls of oil net to Strike during the quarter, up 17% for gas and down 15% for oil on the previous quarter.

Average realised prices during the quarter were $96.36/Bbl, down 9% from $106.40/Bbl in the previous quarter for oil and $5.02/Mcf, down 17% from $6.02/Mcf for gas in the previous quarter.

	JUNE QTR 2014	MARCH QTR 2014	QUARTERLY CHANGE
EAGLEWOOD JV – CYPRESS RAVEN (WILCOX)			
Gas (Mcf)	81,556	73,028	12%
Oil (Bbl)	1,585	1,654	-4%
Total Revenue (AUD'000)	638	622	3%
Gross margin (%)	60%	69%	
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas (Mcf)	1,977	3,139	-37%
Oil (Bbl)	1,471	2,231	-34%
Total Revenue (AUD'000)	190	246	-23%
Gross margin (%)	60%	47%	
EAGLE FORD SHALE – BIGHAM 1H			
Gas (Mcf)	2,195	1,875	17%
Oil (Bbl)	942	1,104	-15%
Total Revenue (AUD'000)	142	132	7%
Gross margin (%)	48%	54%	
TOTAL			
Gas (Mcf)	85,728	78,042	10%
Oil (Bbl)	3,998	4,990	-20%
Total Revenue (AUD'000)	970	1,000	-3%
Gross margin (%)	59%	61%	

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

Finance, Commercial and Corporate Update

Corporate Office

120B Underwood Street
Paddington NSW 2021

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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

Securities on Issue

Shares: 812,497,613
Options: 20,200,001
Performance Rights: 1,700,000

Analyst Coverage

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

During the June quarter the Group continued to advance and complete a number of the transactions and/or arrangements aimed to fund the accelerated appraisal and development of the Company's Southern Cooper Basin Gas project.

Key highlights for the quarter include:

- As announced on 28 May 2014 the Shareholders of Strike met to approve the issue to Orica (ASX:ORI) of an initial tranche of 20,833,333 shares for consideration of $2.5 mllion (which was settled soon after) and a separate option to secure a further tranche of up to 20,833,333 shares for an additional $2.5 million. The terms and conditions of both of these issues are outlined in the notice of meeting material as released on 17 April 2014.

- As announced on 23 June 2014 Strike entered into a Gas Sales Agreement (GSA) for 45PJ of gas with Orora Limited (ASX:ORA) ("Orora"). The GSA adds a further 15PJ of gas to the 30PJ agreed with Orora earlier this year in the Gas Supply Option Agreement (Option Agreement) an announced on 15 January 2014.The additional gas has been contracted on the same terms as the Option Agreement at a fixed rate of supply over a 10 year term from 2017, the expected commencement of production from the Southern Cooper Basin Gas Project in PEL 96.

  The Orora GSA complements the foundation contract for up to 250PJ of gas with Orica as announced on 25 March 2014 and the Gas Supply Option Agreement with Austral Bricks for 12.5PJ of gas, announced on 27 February 2014 which management are currently progressing to a formal GSA.

- As part of an internal funding review the Group elected on 30 April 2014 to early repay in full the limited recourse loan facility with Macquarie bank ($2.5 million) which had been used to pre-fund a portion of the eligible R&D expenditure incurred during FY14.

At the close of the quarter, the Group reported cash on hand of $10.4 million. Subsequent to the end of the quarter, the Group received further gas pre-payments from initial commercial off-takers totalling $0.6 million and is progressing the necessary documentation to facilitate an R&D claim for the year ending June 2014 year which is presently estimated to be in excess of $5.0 million, with an expectation of settlement within the next six months.

These additional lines of funding combined with the proceeds to be received from the partial sale of Strike's acreage interest in the Eagle Ford (circa US$4.5 million), strongly positions Strike for the next phase of the program.

In addition to these funding initiatives, the Strike Board also welcomed Ms Jody Rowe and Mr Brendan Ostwald as Directors of the Company effective from 30 June 2014, while thanking Mr Tim Goyder and Mr Tim Clifton (who resigned as Directors from this date) for their significant contributions to the Company.

The Company has also strengthended the management team, with the promotion of Mr Chris Thompson to Chief Operating Officer and the appointment of Mr David Baker as Executive Director (Commercial).

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	**30 June 2014**

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (12 months) $A'000
	Cash flows related to operating activities		
1.1	Receipts from product sales and related debtors (1)	2,239	6,697
1.2	Payments for (a) exploration & evaluation	(3,558)	(14,037)
	(b) development	(573)	(3,488)
	(c) production	(445)	(1,864)
	(d) administration	(1,078)	(4,649)
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)	175	972
	Net Operating Cash Flows	(3,240)	(16,369)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	(869)
	(b) equity investments	-	-
	(c) other fixed assets	(21)	(33)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	(1,063)
1.11	Loans repaid by other entities(2)	1,063	1,063
1.12	Other (provide details if material)	-	-
	Net investing cash flows	1,042	(902)
1.13	Total operating and investing cash flows (carried forward)	(2,198)	(17,271)

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 include $1.2 million under gas prepayment agreements with existing commercial off takers.

(2) Reflects the advances to and subsequent repayment made by 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)	(2,198)	(17,271)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options (net of costs)	2,438	23,325
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	76	7,814
1.17	Repayment of borrowings	(2,914)	(4,118)
1.18	Dividends paid	-	-
1.19	Other:		
	a. Interest and other cost of financing paid	(205)	(1,035)
	b. Interest & other items of a similar nature received	118	241
	Net financing cash flows	(487)	26,227
	Net (decrease)/increase in cash held	(2,685)	8,956
1.20	Cash at beginning of quarter/year to date	13,049	1,408
1.21	Exchange rate adjustments to item 1.20	3	3
1.22	**Cash at end of quarter**	**10,367**	**10,367**

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)	473
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 $16,114 under the terms of an office leasing agreement. In addition during the quarter, the Group made payments of $161,535 to Mr D Baker for consulting services for the period from April 2014 to June 2014. These services related to the negotiation of the Group's forward Gas supply arrangements and the review/partial sale of the Group's US assets. Effective from 1 July 2014 Mr D Baker became an executive Director of the Company.

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)	6,278	6,278
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. On 30 April 2014 the Group elected to early re-pay in full the facility.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	4,118
4.2	Development	-
4.3	Production	361
4.4	Administration	1,328
	Total	5,807

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 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**	**639**	3,475
5.2	**Deposits at call**	**7,200**	9,000
5.3	**Bank overdraft**	**-**	-
5.4	**Other – Share of JV bank accounts**	**2,528**	574
	Total: cash at end of quarter (item 1.22) (1)	**10,367**	13,049

(1) Subsequent to the end of the financial period, the Group received A$ 0.6 million (including GST) under gas prepayment agreements with existing commercial off takers. In addition the Group expects in the near term to receive proceeds from the disposal of a portion of its interest in the Eagle Ford Joint Venture in the United States as announced on 11 July 2014 while separately it advances the necessary documentation for its FY 14 R&D claim.

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			

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**	833,330,946	833,330,946		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	20,833,333	20,833,333	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)*	6,000,000 500,000 9,500,000 1,000,000 3,000,000 200,000 (1) 1,700,000 (2) 1		***Exercise price*** 20 cents 20 cents 20 cents 20 cents 20 cents 18 cents - cents (2)	***Expiry date*** 31 Aug 2014 01 Nov 2015 18 Nov 2016 01 Nov 2017 18 Nov 2018 10 Apr 2018 14 May 2014 (2)
7.8	Issued during quarter	(1) 1,700,000 (2) 1		-cents Refer below	14 May 2014 Refer below
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

(1) Reflects performance rights issued under the Company's Employee Share Incentive Plan.

(2) On the 28th May 2014 at a General Meeting of the Company's Shareholders an Option ("Orica Option") was approved for issue to Orica Investments Pty Ltd ("Orica"). Under the terms of the Orica Option, Orica can subscribe (if an election to exercise is made) for shares in the Company for consideration of $2.5 million with the number of shares to be issued to be determined with reference to the greater of (a) $0.12 cents per share and (b) a 10% discount to the volume weighted average price of Shares over the 10 trading days immediately prior to the date of exercise of the Orica Option. A maximum of 20,833,333 shares can be issued. The Orica Option is able to be exercised after an initial three month period of production test data is made available from the Le Chiffre and Klebb wells, and such information is subject to an independent review. For further details of the terms and conditions associated with the Orica Option, please refer to Company's ASX release dated 17 April 2014.

+ 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: 31 July 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.