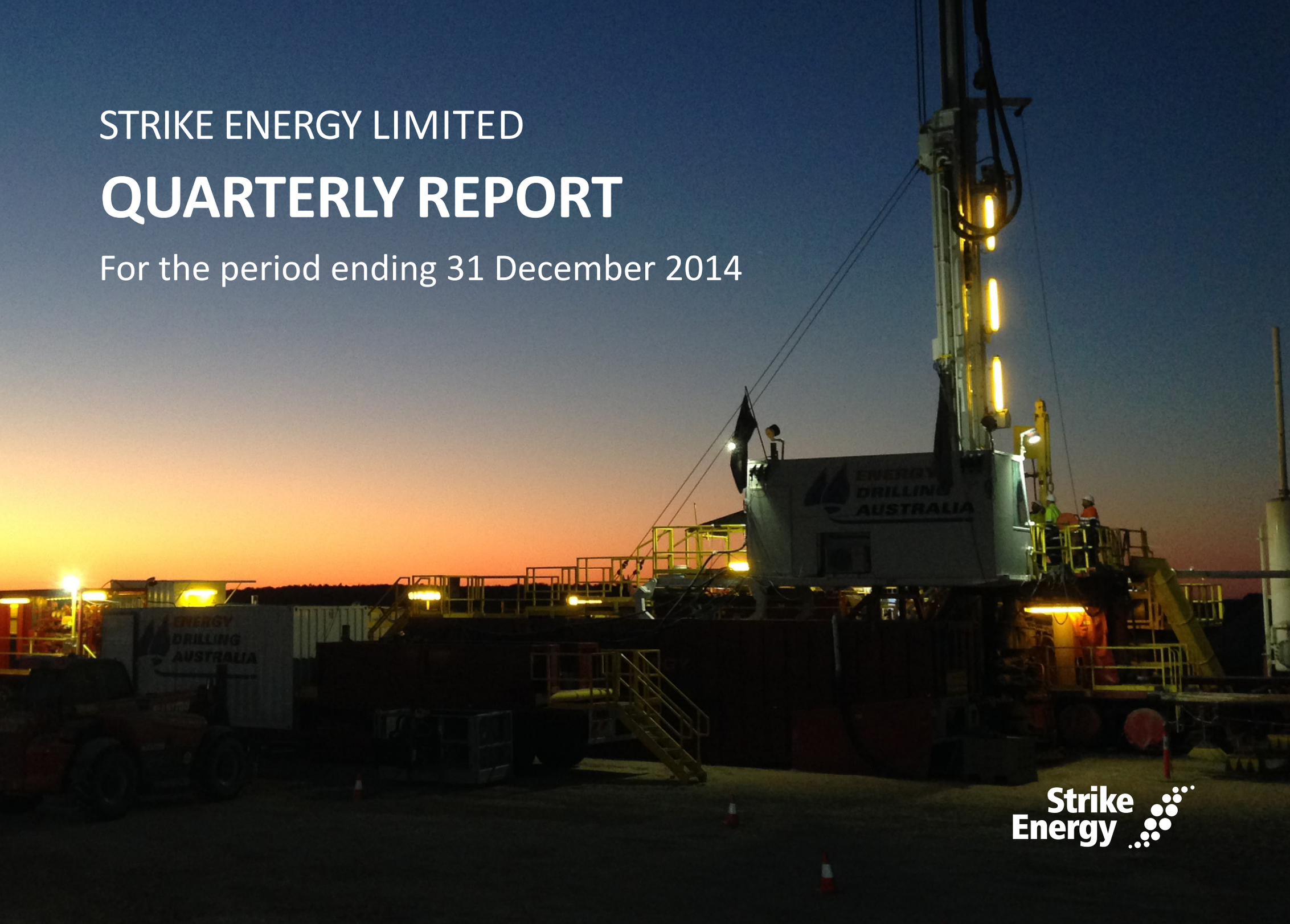


STRIKE ENERGY LIMITED

QUARTERLY REPORT

For the period ending 31 December 2014

Strike Energy

December Quarter Performance Summary

	Key Achievements
Australian Operations	
Southern Cooper Basin Gas Project	✓ Sustained gas flows to surface at both Klebb and Le Chiffre wells with gas production building steadily; gas has been flared at Le Chiffre. ✓ Principal objectives of the flow testing program achieved. ✓ Gas saturation exceeding 90% at Le Chiffre increasing confidence in the productive potential of the reservoir. ✓ Management of formation water eliminated as a significant development challenge. ✓ Oil price weakness and reduced exploration activity contributing to improving cost environment.
Strong Funding Position	✓ Cash of $8.1 million on hand at the end of the quarter – fully funded to meet current flow testing program commitments. ✓ Innovative R&D funding facility agreed with Macquarie ($4.5 million) to be collateralised with proceeds of 2015 ATO R&D refund. ✓ Continued interest in additional gas offtake.
US Operations	
Production	✓ Production increase of 6% over September Quarter. ✓ Permian Basin test results continue to provide encouragement. ✓ US asset portfolio continues to generate positive net operating cash flows even in current energy pricing environment.

Managing Director's Comments

I am pleased to report that the December 2014 quarter saw the successful achievement of sustained gas flows at the Southern Cooper Basin Gas Project (SCBGP), a key milestone towards the commercialisation of the project.

Extended flow testing at the Klebb and Le Chiffre well locations within the SCBGP commenced, with the installation and commissioning of the surface and down-hole production equipment. The objectives of the current phase of flow testing are to advance our understanding of the key reservoir parameters, including gas saturation, management of formation water and to achieve sustained gas production.

In addition the Klebb 2 and Klebb 3 wells were drilled and completed with surface equipment installed at the Klebb 2 location prior to the end of the quarter. These additional wells will be flow tested in conjunction with Klebb 1 as part of a multi-well production flow test of the Klebb location.

Initial results from the extended flow test have exceeded our expectations, with all of the principal objectives of the program accomplished within weeks of commencing the campaign. Gas sampled at surface within hours of the commencement of flow testing at Le Chiffre 1 gave an immediate indicator of high gas saturation levels. In addition, reductions in reservoir pressure have been achieved at both Klebb 1 and Le Chiffre 1 locations with limited formation water production.

Since achieving sustained gas flows to surface from both wells, gas production has continued to build steadily and at Le Chiffre this has been sufficient to support the flaring of gas. Combining the downhole pressure, gas production and sample data from Le Chiffre 1 indicates that gas saturation is in excess of 90% at this location. Similarly, the pressure and production data from Klebb 1 indicates gas saturation at that location is in excess of 60% of the storage capacity of the coals.

Our focus is now to steadily build gas production and with a range of completions across the target Patchawarra coal seams in the four existing appraisal wells within PEL 96, to obtain further information for the optimisation of well design for commercial production.

Planning and conceptual design work has commenced for a small scale demonstration gas processing facility that will be designed to produce sales gas, most likely from a multi-well production pilot at the Le Chiffre location. The deployment of a modular, demonstration processing and compression facility will provide invaluable information to support the development of an initial commercial scale project within the SCBGP that will deliver gas through existing pipeline networks into the offtake agreements already in place with Orica, Orora and Brickworks.

At quarter end, the Company reported cash on hand of $8.1 million, which will fund all of our current activities. We have also established an innovative $4.5 million R&D funding facility which will be collateralised with the proceeds to be received from our 2015 ATO R&D refund.

Our US operations continue to generate net positive operating cash flows and with no planned new investment in the Eagle Ford, the Company is well placed and fully funded to advance planning for the next stage of resource delineation and production optimisation.



Southern Cooper Basin Gas Project

During the quarter field operations at PEL 96 (STX 66.67% and Operator, EWC 33.3%) recommenced with the installation and commissioning of pumps, water and gas handling facilities at the Le Chiffre 1 and Klebb 1 wells. The Klebb 2 and Klebb 3 wells were drilled and completed during the period and surface equipment for Klebb 2 was installed and commissioned.

During the quarter, the technical objectives of the flow testing program were achieved, with the critical desorption pressure being observed at both the Le Chiffre 1 and Klebb 1 wells with sustained gas flow having been established.

At the end of the quarter, the Company had three wells under test with Klebb 3 requiring final connection and commissioning and the Davenport 1 well within PEL 94 (STX 35%, BPT 50% and Operator, SXY 15%) awaiting final regulatory approvals and workover to commence extended flow testing.

Having achieved our goals for this phase of the testing program, we plan to continue flow testing during the current quarter with new objectives of building gas production and optimising well operating procedures and cost, while accelerating the commercialisation of the project.

Le Chiffre Flow Testing

Pumping operations at Le Chiffre 1 commenced on 8 November 2014 with a total of 31 producing days being recorded to the end of the quarter. Gas at surface from Le Chiffre 1 was recorded almost immediately and as the testing progressed, the volume increased sufficiently to commission a separator and ignite a flare. Data from the well indicates gas saturation in excess of 90% for the Patchawarra Vu coal in the well.

The large fracture stimulation pumped in the very thick Patchawarra coals at Le Chiffre mean that the productive performance of the well is substantially greater than that of an unstimulated well. Strike has adopted a conservative approach in its operation of the well to reduce the risk of inducing near well permeability reduction. We therefore expect that production will continue to build gradually over time before a peak rate is achieved from this single well test.

The performance to date is very encouraging for the development potential of the play, supporting the view that large fracture stimulations may be optimal in maximising both production rates and ultimate per well recovery.

Klebb Flow Testing

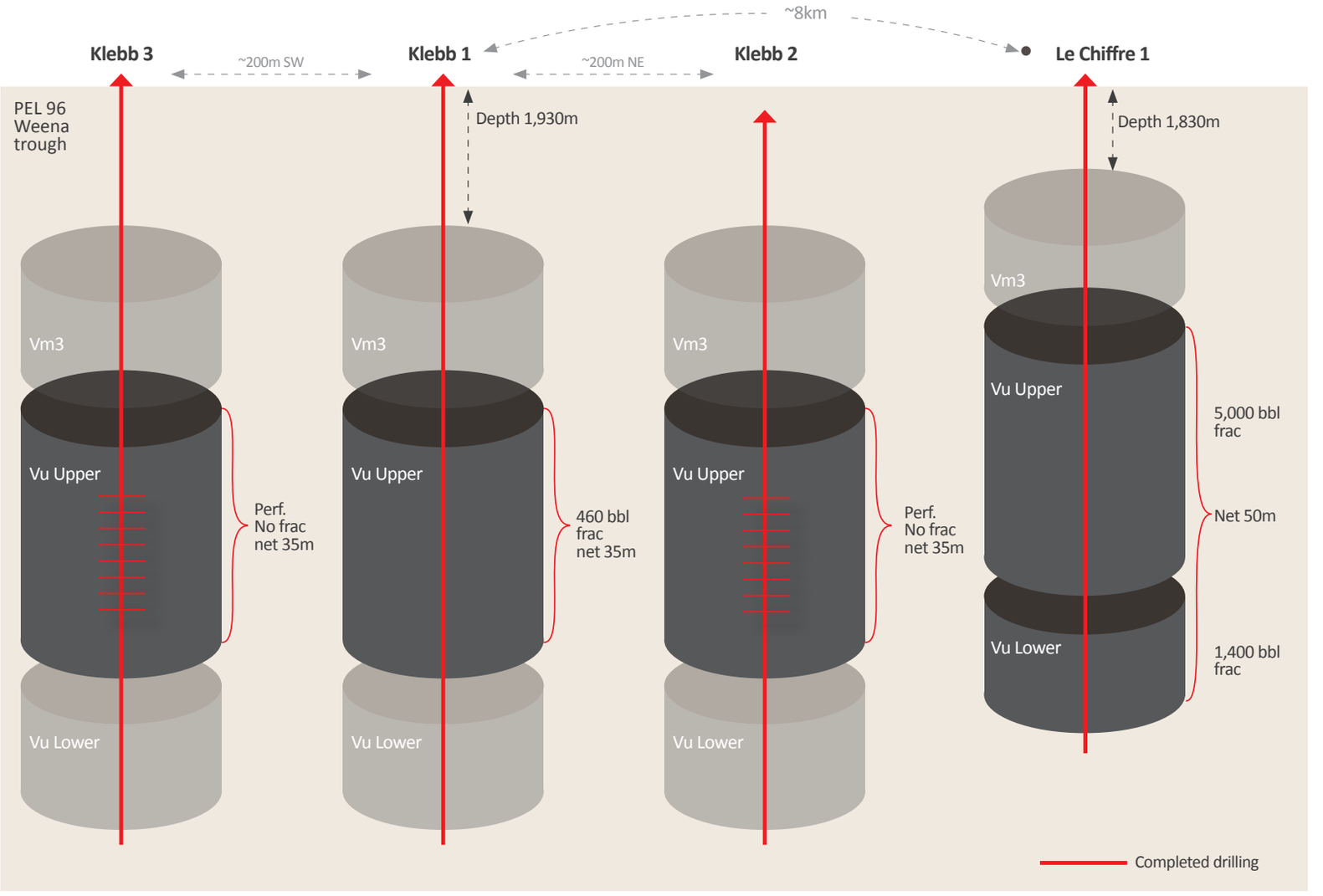
Pumping operations at Klebb 1 commenced on 31 October 2014. A series of flow and pressure build-up periods were observed through the period with the well achieving a total of 42 producing days to the end of the quarter. During this time, water production reduced relatively quickly and sustained gas flows were established at surface. When combined with other data, the timing of initial gas flows indicates gas saturation at Klebb 1 in excess of 60%.

During the quarter, both the Klebb 2 and Klebb 3 wells were drilled, cased and completed, with Klebb 2 commissioned and pumping operations commenced on 28 December 2014. The Klebb 2 and 3 wells have not been fracture stimulated and will provide valuable information relating to the productive potential of an unstimulated well in the Patchawarra coals. However, both wells have been designed to be fracture stimulated at a later date, if required.

March Quarter planned activities

The PEL 96 extended flow testing program, which has now recommenced, will focus on increasing gas production from the wells, optimising efficient well operating methodology and minimising ongoing test program expenditure. Planning of future program requirements will incorporate analysis of these test results as we continue to progress the project towards development.

Southern Cooper Basin Gas Project: PEL 96 production testing program



US operations update

US Exploration and Evaluation Activities

Permian Basin (STX Interest 25%)

The Erwin Eoff #3 well has provided particularly encouraging results from the Clearfork Shale with the vertical well cleaning-up post-frac to achieve initial daily oil rates up to 110 bbls/day. The result bodes well for future drilling of and the upside potential within the Permian Basin project. However, despite the low cost of operations in the Permian Basin, it is not expected that further drilling will be pursued until improvement is seen in the oil price environment.

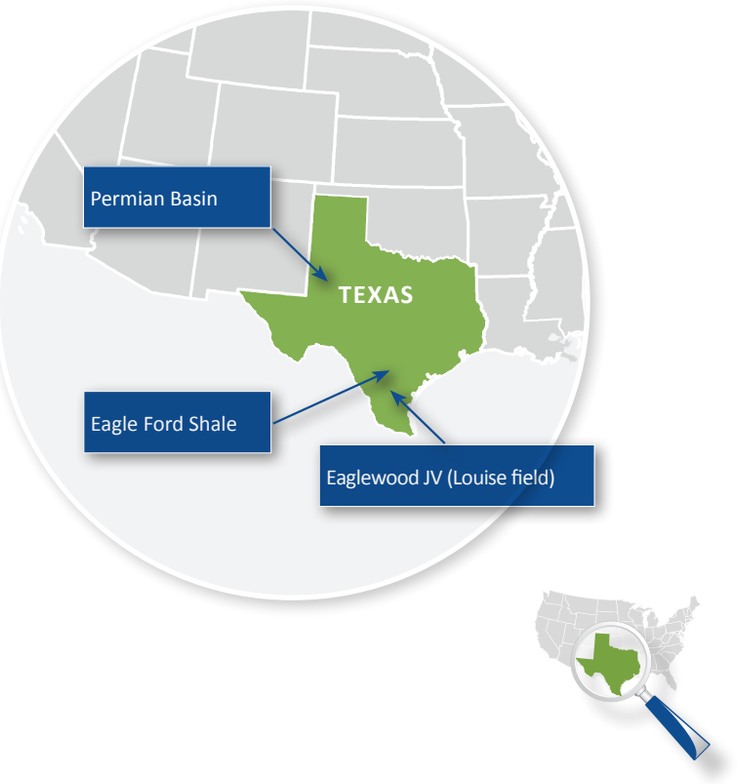
As a result of the prevailing market conditions and current oil futures pricing as at the end of the quarter, a non-cash impairment charge of US$ 1.1 million has been recognised against the carrying value of the Company's Permian Basin production assets. The joint venture Operator has commenced a program of cost management and optimisation in the field.

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

The fall in oil prices over recent months has had an immediate impact on exploration activity in all major shale provinces in the US, including the Eagle Ford. Whilst the Company retains exposure to a core lease position in the Eagle Ford with negligible current expenditure to maintain that acreage, efforts to progress a farm out or divestment of the asset are not expected to progress under current market conditions. The Company has therefore elected to expense in full the carried forward capitalised exploration costs associated with the Eagle Ford project resulting in a non-cash impairment charge of US$ 10.8 million.

US Asset Portfolio

Our US operations continue to generate net positive operating cash flows and with no planned new investment in the Eagle Ford, the Company will continue to investigate opportunities to monetise the Company's US exploration and production assets.



US production update

US Production

Strike currently produces oil and gas from three independent assets. Total oil production for the quarter was 4,504 bbls up 6% on the prior quarter and gas production was 81,940 Mcf up 5% on the prior quarter.

The Eaglewood Joint Venture (Strike 40% WI) produced 77,749 Mcf of gas and 1,522 bbls of oil net to Strike during the quarter, up 6% for gas and up 8% for oil on the previous quarter.

The MB Clearfork Project (Strike 25% WI) produces oil from 20 conventional Permian Basin wells in Martin County, Texas. During the quarter, the MB Clearfork Project produced 2,787 Mcf of gas and 2,170 bbls of oil net to Strike (benefitting from production from the recently completed Eoff #3 well), up 9% for gas and up 16% 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 1,404 Mcf of gas and 812 bbls of oil net to Strike during the quarter, down 28% for gas and down 15% for oil on the previous quarter. The decrease in production for the quarter is as a result of the well's normal expected decline and brief shut-ins for well maintenance.

Average realised prices during the quarter were US$72.38/Bbl, down 27% from US$99.32/Bbl in the previous quarter for oil and US$4.09/Mcf, down 6% from US$4.36/Mcf for gas in the previous quarter.

	DEC QTR 2014	SEPT QTR 2014	QUARTERLY CHANGE
EAGLEWOOD JV – CYPRESS RAVEN (WILCOX)			
Gas (Mcf)	77,749	73,193	6%
Oil (Bbl)	1,522	1,407	8%
Total Revenue (USD'000)	426	470	-9%
PERMIAN BASIN – MB CLEARFORK PROJECT			
Gas (Mcf)	2,787	2,561	9%
Oil (Bbl)	2,170	1,872	16%
Total Revenue (USD'000)	173	187	-7%
EAGLE FORD SHALE – BIGHAM 1H			
Gas (Mcf)	1,404	1,952	-28%
Oil (Bbl)	812	960	-15%
Total Revenue (USD'000)	62	103	-40%
TOTAL			
Gas (Mcf)	81,940	77,706	5%
Oil (Bbl)	4,504	4,239	6%
Total Revenue (USD'000)	661	760	-13%
Total Revenue (AUD'000)	774	820	-6%

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: 833,330,946
Options: 11,700,001
Performance Rights: 29,550,000

Analyst Coverage

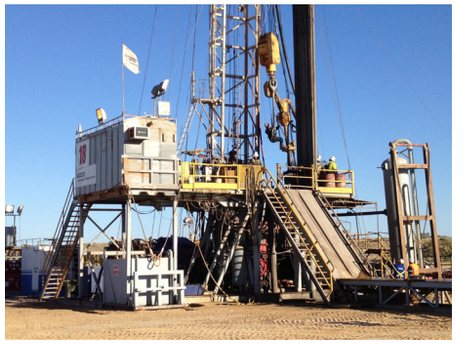
Firm	Analyst
Euroz	Michael Skinner
Ord Minnett	John Young
Bell Potter	Peter Arden
RBC Capital	Andrew Williams

During the December quarter the Company continued to advance a number of its financial and commercial initiatives in support of the appraisal and accelerated development of the SCBGP.

Key highlights include:

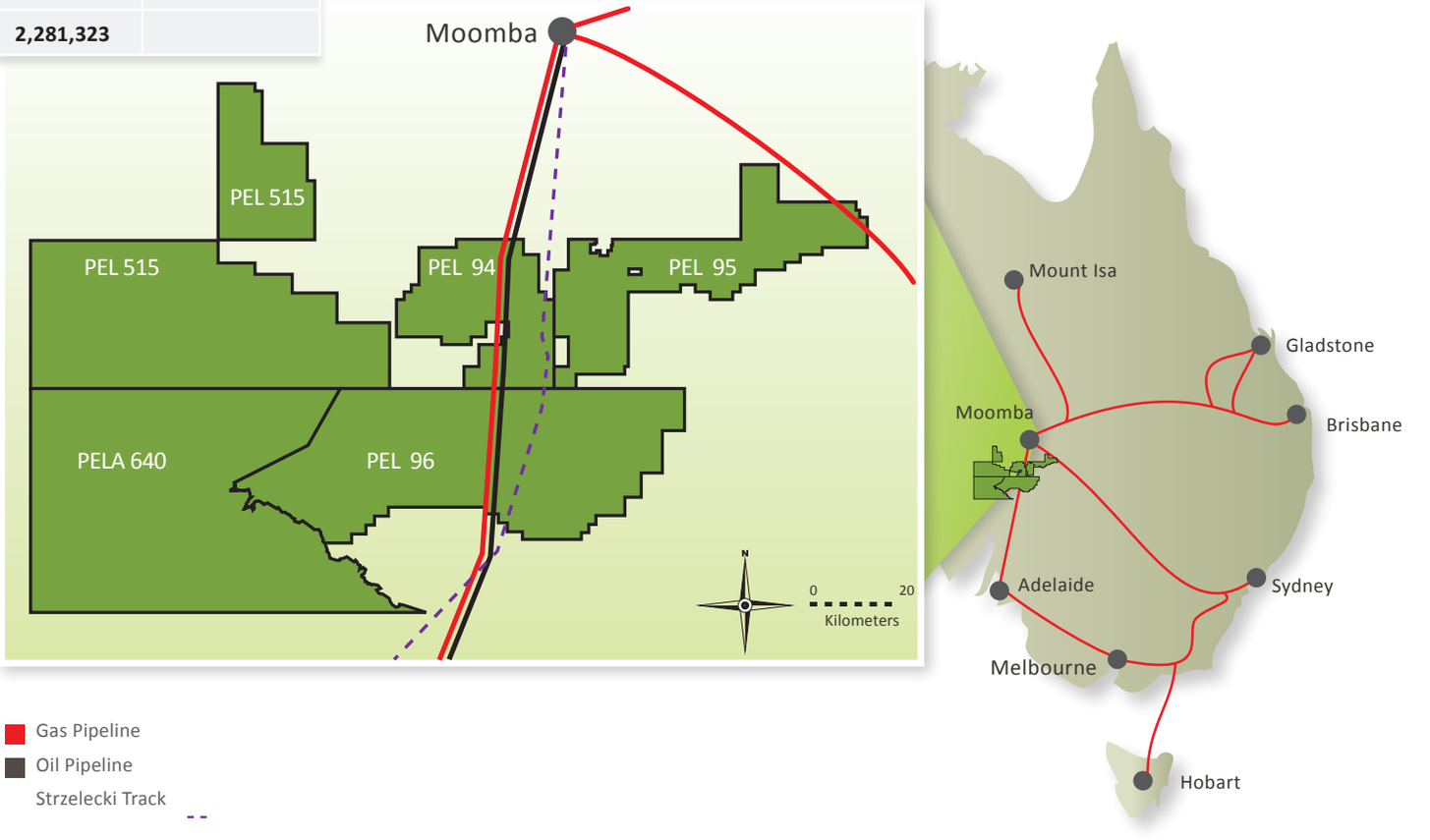
- On 28 October 2014 the Company announced the receipt of $5.8 million from the ATO relating to eligible Research and Development (R&D) activities during the FY 14 year.
- In connection with its current R&D activities for the FY 15 year, the Company has entered into a facility with Macquarie Bank (the Macquarie Facility). The Macquarie Facility, which has an initial limit of $4.5 million, is able to be drawn down by the Company once the related eligible R&D expenditure for the period has been validated by the Company's R&D advisors in accordance with the prescribed ATO guidelines and requirements. An initial draw down of $4.0 million was made on 29 January 2015, with the Macquarie Facility collateralised by the proceeds of the Company's 2015 ATO R&D refund which is expected to be received by November 2015.
- As reported in the September 2014 Quarterly Report, the Company continues to advance planning for surface infrastructure to support an initial project development in PEL 96. Work has continued in the quarter to scope and assess the feasibility of a small demonstration scale gas processing facility that will be designed to process, compress and deliver sales gas produced from the multi well testing program into the Moomba to Adelaide pipeline. Discussions to date have yielded significant interest and support from engineering groups and a number of equipment suppliers.
- Discussions with commercial and industrial gas users regarding further offtake are on-going. These discussions continue as part of the Company's strategic planning initiatives and in response to the successful achievement of all of the key objectives for the current appraisal program at the Klebb and Le Chiffre well locations.
- The Company completed the quarter with $8.1 million cash on hand and together with the additional proceeds from the Macquarie Facility, the Company is well placed for the continuation of flow testing and the further development of the Company's Southern Cooper Basin Gas Project.

The Annual General Meeting of the Company took place on 30 October 2014 at the Sydney offices of law firm, Allens. The Board was pleased to welcome a number of the Company's Eastern States based shareholders and to discuss the Company's progress. All resolutions proposed to shareholders were passed by a majority vote.



Strike's Southern Cooper Basin Gas Project

Permit	STX Working Interest	STX Net Acres	Operator
PEL 96	66.67%	443,880	Strike
PEL 95	50%	160,248	Beach Energy
PEL 94	35%	77,925	Beach Energy
PELA 640	100%	850,786	Strike
PEL 515	100%	748,484	Strike
Total		**2,281,323**	



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 December 2014**

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (6 months) $A'000
	Cash flows related to operating activities		
1.1	Receipts from product sales and related debtors	843	2,355
1.2	Payments for (a) exploration & evaluation	(6,448)	(11,603)
	(b) development	(25)	(60)
	(c) production (1)	(482)	(1,558)
	(d) administration	(915)	(1,939)
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 (2)	5,824	6,030
	Net operating cash flows	(1,203)	(6,775)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(4)	(4)
1.9	Proceeds from sale of:		
	(a) prospects (3)	63	5,032
	(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	59	5,028
1.13	Total operating and investing cash flows (carried forward)	(1,144)	(1,747)

(1) Production payments include prepayments made for gas transmission rights for the Groups US assets.
(2) Other for the quarter includes the receipt of $ 5.8 million from the ATO relating to the FY14 R&D return.
(3) As announced on 11 July 2014 the Group entered into a Purchase and Sale Agreement with Penn Virginia Oil & Gas to sell 1,617 of its net acres in Lavaca County Texas (USA). Proceeds of US$ 4.6 million were initially received on 29 August 2014 with a second completion payment being received on 7 November 2014.

1.13	Total operating and investing cash flows (brought forward)	(1,144)	(1,747)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options (net of costs)	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(274)	(616)
1.18	Dividends paid	-	-
1.19	Other:		
	a. Interest and other cost of financing paid	(174)	(341)
	b. Interest & other items of a similar nature received	64	128
	Net financing cash flows	(384)	(829)
	Net decrease in cash held	(1,528)	(2,576)
1.20	Cash at beginning of quarter/year to date	9,640	10,624
1.21	Exchange rate adjustments to item 1.20	29	93
1.22	**Cash at end of quarter**	**8,141**	**8,141**

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)	242
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 $28,182 under the terms of an office leasing agreement. In addition during the quarter, the Group made payments of $38,425 to Mr D Baker for consulting services for the period from October 2014 to November 2014.

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)	6,166	6,166
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 annual financial report for the year ended 30 June 2014.

(2) Subsequent to the end of the reporting period, the Group entered into a funding facility with Macquarie (the Macquarie Facility) to provide pre-funding for eligible research and development (R&D) expenditure to be incurred during the year ended 30 June 2015. The Macquarie Facility has a limit of $4.5 million and can be drawn down after the satisfaction of the facility conditions, which include the validation of the related eligible R&D expenditure incurred by the Group's R&D advisors in accordance with the prescribed ATO guidelines and requirements. An initial draw down of $4.0 million was made on 29 January 2015, with the Macquarie Facility collateralised in full from the proceeds of the Company's 2015 R&D refund from the ATO anticipated to be received by November 2015.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	5,994
4.2	Development	35
4.3	Production	303
4.4	Administration	1,080
	Total	7,412

The above estimated cash outflows for the next quarter do not take into account the benefit of 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**	2,241	1,045
5.2	**Deposits at call**	2,019	6,325
5.3	**Bank overdraft**	-	-
5.4	**Other – Share of JV bank accounts**	3,881	2,270
	Total: cash at end of quarter (item 1.22)	8,141	9,640

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	WA460-P	Exploration Permit (1)	33.33%	0%
		PEL 71	Exploration Permit (2)	75%	0%
		PEL 575	Exploration Permit (1)	100%	0%
		PEL 127	Exploration Permit (1)	100%	0%
6.2	Interests in mining tenements acquired or increased	N/A			

(1) Reflects exploration permits relinquished or surrendered during the quarter
(2) Reflects exploration permits novated to existing participants in the permit area during the quarter

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				
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)*	500,000 7,000,000 1,000,000 3,000,000 200,000 (1) 1,700,000 (2) 1 (3) 27,850,000		***Exercise price*** 20 cents 20 cents 20 cents 20 cents 18 cents - cents (2) - cents	***Expiry date*** 01 Nov 2015 18 Nov 2016 01 Nov 2017 18 Nov 2018 10 Apr 2018 14 May 2014 (2) 30 Oct 2018
7.8	Issued during quarter	(3) 27,850,000		- cents	30 Oct 2018
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 – for details of these awards reference should be made to the Group's Annual Financial Report for the year ended 30 June 2014.

(2) For the terms and conditions of the Orica Option please refer to the Group's Annual Financial Report for the year ended 30 June 2014.

(3) On 30 October 2014 the Company issued 27,850,000 Performance Rights (Rights) under the Company's Employee Share Incentive Plan, with a vesting period that expires on 30 October 2018 and the following vesting conditions.
1/3 of the Rights will vest on the Company's closing share price being greater than 20 cents on any 5 consecutive days during the vesting period.
1/3 of the Rights will vest on the Company's closing share price being greater than 35 cents on any 5 consecutive days during the vesting period.
1/3 of the Rights will vest on the Company's closing share price being greater than 50 cents on any 5 consecutive days during the vesting period.

All unvested awards will automatically expire on 30 October 2018.

+ 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: 29 January 2015
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.