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QUARTERLY ACTIVITIES REPORT, PERIOD ENDED SEPTEMBER 2006

Please find attached Strike Oil Limited's Quarterly Activities Report for the period ended September 2006.

Yours faithfully

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Managing Director

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QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED SEPTEMBER 2006

HIGHLIGHTS

- Production of gas and oil condensate maintained at the same level as the previous quarter.
- Sales revenue of gas and oil condensate was 5% lower due to lower gas and oil prices.
- Successful test of 3.48 million cubic feet of gas and 97 barrels of oil condensate from the Webernich 2 well at the Mesquite Project.
- Leasing activities continued in the Gulf Coast, Texas, and Rocky Mountains, Colorado.
- Three large scale, greater than 200 billion cubic feet of gas potential prospects mapped and at various stages of leasing in the Gulf Coast, Texas.

SIGNIFICANT PROJECT ACTIVITIES

USA

PRODUCTION ACTIVITIES

- ***MESQUITE PROJECT, GULF COAST, TEXAS***

Strike Oil's gas and oil condensate production from the Mesquite Project in Texas was maintained at the same level as the previous quarter despite some production being shut in while additional zones were tested. Gross production from Strike Oil's leases at the end of the quarter was around nine million cubic feet per day of gas and 150 barrels of oil condensate primarily from three of the four wells drilled. Subsequent to the end of the quarter the commingling operation of several productive zones in the Webernich 1 well has commenced and will increase production at the Mesquite Project.

Sales revenues from the gas and oil condensate production were lower than the previous quarter due to lower gas and oil condensate prices received.

Four successful wells have now been drilled to date and evaluation continues with respect to the potential of the project. During the quarter the Webernich 2 well tested 3.48 million cubic feet and 97 barrels of oil condensate per day with a flowing tubing pressure of 4705 pounds per square inch absolute (psia) with 13/64 choke. The well was put on production in mid July.

Strike Oil's gas reserve estimates to its interest based upon the Operator's estimates are as follows:-

Reserves (as of June 30, 2006) in billions of cubic feet (Bcf)

	Strike Oil Working Interest Reserves (Bcf)	Strike Oil Net Revenue Interest Reserves (Bcf)
Proved	4.3	3.3
Probable	1.2	0.9
Total	5.5	4.2

Several tested gas zones and potential gas zones in the four wells drilled to date are currently not on production. It is intended to bring some of these zones into production next quarter. Additionally, consideration is being given to the drilling of a fifth well, Shefcik 2, as an appraisal/development well to increase production and add to the proved reserve position.

The production and revenue figures for the Mesquite Project, Texas, are tabled below. Note, Strike Oil's Working Interest (WI) is 26.25% and its net revenue interest (NRI) is around 20%. NRI represents the company's interest net of royalties.

QUARTERLY PRODUCTION AND REVENUE

	September Quarter 2006		June Quarter 2006	
Production				
	Strike WI	Strike NRI	Strike WI	Strike NRI
Gas (MMcf)	239	180	257	194
Oil (BBL)	4,395	3,317	4,468	3,383
Revenue				
	Strike WI \$'000	Strike NRI \$'000	Strike WI \$'000	Strike NRI \$'000
Gas	2,217	1,550	2,314	1,621
Oil	384	276	409	295
	<u>2,601</u>	<u>1,826</u>	<u>2,723</u>	<u>1,916</u>
NB: These are preliminary and unaudited figures				

EXPLORATION ACTIVITIES

• GULF COAST, TEXAS PROJECTS

Strike Oil continues to expand its involvement in the Gulf Coast program with further prospect generation and leasing progressing. Operator, Cypress E&P Corporation, is at an advanced leasing stage on many of these prospects of which the larger ones are in the 200 to 500 billion cubic feet of gas potential.

An in house study of new field discoveries on the Wilcox trend in Texas has been carried out. This assessment shows that since 1995, 25 new gas fields have been discovered with greater than 100 billion cubic feet of gas reserves, six of these being greater than 200 billion cubic feet. This demonstrates that significant discoveries are being consistently found in this mature exploration trend. The Mesquite Project which is part of a greater than 60 billion cubic feet discovery (namely the Brushy Creek Field) was the sixth largest field found on the trend in 2005. The Operator is consistently generating prospects of this scale and has a successful process in place to generate, lease and drill successfully projects of this scale.

The first exploration well planned to be drilled will be on the Flint Prospect which has a prospective resource size the order of 300 billion cubic feet of gas. This is planned to be followed by the Rayburn Prospect with a prospective resource size the order of 500 billion cubic feet. A further prospect Rodeo with 200 billion cubic feet of gas potential has been documented and could be drilled later in 2007.

Many of the new prospects are of a similar nature to the Mesquite discovery and provide the opportunity to build directly on the successful exploration techniques already applied. While this region is one of the most highly explored and prolific producing areas of the USA, it still retains exceptional opportunities as deeper targets are defined by applying the latest 3D seismic technology. It is Strike Oil's intention to broaden the area of investigation along trend with the Operator and commit to licensing further 3D seismic to maintain a steady flow of quality prospects.

Exploration drilling is currently planned to commence in early 2007 and the provisional schedule is attached.

• ROCKY MOUNTAINS PROJECTS

Strike Oil, through the operator Comet Ridge Limited, continues to prepare for the forthcoming drilling program and to acquire further leases in the Bear River project and Tow Creek project areas in Colorado, where combined lease area is greater than 14,000 acres. Strike Oil has a 37.5% WI in the Tow Creek project and a 33.75% WI in the Bear River project.

Additionally Comet Ridge has been successful in forming a Federal Exploration Unit over part of the leases which will help facilitate exploration and optimise development.

Drilling operations commenced with a spudding rig late in the quarter on the first of several wells at Tow Creek/Bear River, the Coal View Unit 31-4 well. The drilling rig for the deeper part of the well is due on location in October/November 2006. The well will be directionally drilled to intersect three target horizons with an upside potential of 500,000 barrels and flow rates up to 150 barrels per day. Further drilling locations have been leased to follow up on success of the well.

Subsequent to the end of the quarter, Comet Ridge has acquired a 75% working interest in the Florence Prospect which lies over part of the Florence Oil field, Colorado. Strike Oil will have the option to participate in 33% to 50% interest in the leases to be acquired by Comet Ridge. The Florence oilfield has produced over 15 million barrels of oil. This opportunity is similar in nature to the Tow Creek/Bear River projects where the Operator proposes to utilise directional wells to extract further oil reserves from old oil fields.

AUSTRALIA

EXPLORATION ACTIVITIES

- ***CARNARVON BASIN***

Mapping of the seismic data acquired in late 2005 continues and several prospects are being matured for future drilling. Preliminary discussions are underway to secure a drilling rig to commence operations around the middle of 2007 after the cyclone season.

Materials are being prepared to help facilitate the farming out of selected prospects. Strike Oil has high equities and is operator of most of these prospects.

- ***COOPER EROMANGA BASINS***

In the Queensland permit ATP 633 P, processing of the Gidgee 3D seismic survey and the Gukithi 2D seismic survey operated by Beach has been completed and interpretation is in progress.

Following interpretation of the seismic, it is anticipated an appraisal well will be drilled to follow up on the Gidgee 1 well which flowed over 1,000 barrels of oil per day in 1989. Secondly, an exploration well is planned to be drilled on one of the larger targets, from a portfolio of oil prospects, which have potentials in the range 0.5 to ten million barrels of recoverable oil. This drilling is currently anticipated for early 2007.

In PELA's 71 and 96 in South Australia, work is still progressing to finalise Native Title Agreements.

- **KINGSTON ENERGY PROJECT**

Strike Oil's wholly owned subsidiary Kingston Energy Pty Ltd continues to evaluate the potential of the significant energy resource associated with the Kingston coal deposit in South Australia. Various options to utilise this deposit in a commercially and environmentally acceptable manner, are under evaluation.

DRILLING SCHEDULE AND PROSPECT INVENTORY

Strike Oil continues to build an inventory of prospects and leads (see attachment to this report).

Strike Oil plans to participate in the drilling of at least ten wells over the next 12 months. The prospects and leads inventory will continue to be upgraded with time to provide the best chance for success and management of risk.

The next Gulf Coast drilling is now planned to commence with the Shefcik 2 well on the Mesquite Project in November 2006 followed by the Flint Prospect drilling in January 2007.

The proposed drilling schedule to the end of June 2007 is attached. Note that the proposed drilling timings are susceptible to change as the issue of drilling rig availability is affecting all operators in the current exploration and development drilling environment.

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INVENTORY OF PROSPECTS AND LEADS

Basin or Project Area	Prospect	Prospective Resource (1)	Strike Oil Working Interest	Operator
Carnarvon Basin		Million Bbl		
EP-424	Baniyas	60	40%	Strike
TP/6	North Santo- Grond	5-100	100% (2)	Strike
TP/6	North Kura Kura	20	100% (2)	Strike
TP/6	Hood	16	100% (2)	Strike
TP/19	Sharp Peak	80	90%	Strike
TP/19	Courtenay	50	90%	Strike
WA-261-P	Hestia	20	6.2%	Apache
WA-340-P	Sherlock	15	40%	Strike
WA-340-P	Gidley	40	40%	Strike
Cooper-Eromanga Basin		Million Bbl		
ATP 633P	Gidgee	1-2	15%	Beach
ATP 633P	Phi	5-10	15%	Beach
ATP 633P	Phi South	3-5	15%	Beach
PEL 71	Mulapula	1-5	50%	Strike
Gulf Coast, Texas		Bcf		
	Flint	300	25%	Cypress
	Rayburn	500	25%	Cypress
	Lasso	25	25%	Cypress
	Rodeo	200-250	25%	Cypress
	Hickory	40-50	25%	Cypress
	Maple	25-30	25%	Cypress
	Tahoe L	2-5	25%	Cypress
	Kangaroo C	2-4	25%	Cypress
Rocky Mountains		Million Bbl		
	Tow Creek	1-2	37.5%	Comet Ridge
	Bear River	0.5-1.0	33.75%	Comet Ridge













1: Prospective Resource is defined as those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. SPE, 2000.

2: Apache Energy has a 40% “back-in” option to the permit.



STRIKE OIL'S PROVISIONAL FORWARD PROGRAM

Note: Timing of all activities subject to equipment availability, weather conditions, joint venture and regulatory approvals.

PROJECT AREA	2006						2007					
	2nd Half						1st Half					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
GULF COAST USA												
ROCKY MOUNTAINS USA												
COOPER EROMANGA												
CARNARVON BASIN												

 Onshore well
  Offshore well