

## USA - ONSHORE GULF COAST PRODUCTION

- Exploration drilling to re-commence from December 2009 - three to four wells to be drilled by the Eaglewood Joint Venture by June 2010 (Strike Oil WI: 30%).
- Produced 63,047 barrels of oil equivalent (524 MMcf gas, 10,688 barrels oil-condensate) for the quarter delivering:
  - \$3.9 million oil and gas revenue
  - 66% gross margin
- Production cut back during September for routine maintenance and testing - extended to late October to preserve gas reserves for delivery in later periods.
- Production to be ramped back up to full capacity following the rebound of market prices in October, representing a 150% increase from September lows with futures indicating significantly higher prices to come.

## AUSTRALIA – SOUTHERN COOPER COAL SEAM GAS (CSG) PROJECT

- A drill rig is being secured and statutory approvals to drill are being sought for a three hole program to test the CSG potential of the Southern Cooper Project, commencing January 2010.
- Independent technical review by CSG specialists MBA Petroleum Consultants of Brisbane confirmed a Prospective Resource of 7,000 to 19,000 Petajoules of gas-in-place (Strike share 5,000 to 12,000 Petajoules).

## CORPORATE

- \$2.1 million EBITDAX for the quarter
- \$16.0 million cash and listed investments on hand at 30 September 2009.
- US\$5.3 million debt at 30 September 2009 – 3½ years repayment schedule with a recent facility review confirming a repayments holiday until June 2010.



## OUR STRENGTHS

High margin producer

Multiple large scale growth options

Experienced team

Long term track record of success

## REGISTERED OFFICE:

Level 9, Wesfarmers House  
40 The Esplanade  
Perth, Western Australia 6000

T: (+61) 8 6103 0999  
F: (+61) 8 6103 0990  
E: [strike@strikeoil.com.au](mailto:strike@strikeoil.com.au)  
W: [www.strikeoil.com.au](http://www.strikeoil.com.au)

ABN: 59 078 012 745

## OVERVIEW

### USA Business - Drilling to re-commence, continued high margin production

Strike Oil Ltd (“Strike” or “Company”) is planning to re-commence US onshore Gulf Coast exploration from December 2009 with the Eaglewood Joint Venture expected to commit to drill the first prospect and up to three further wells to be drilled by 30 June 2010.

Past Eaglewood drilling has established an Estimated Ultimate Recovery (EUR) of 71 billion cubic feet (Bcf) equivalent from drilling targets assessed as having 200 Bcf pre-drill potential (on a 100% basis).

Overall, the joint venture has prospects with pre-drill potential resources of 660 Bcf in which Strike’s working interest is 30%.

In addition to re-commencement of Eaglewood drilling, Strike is also assessing another onshore Gulf Coast exploration opportunity, for which an investment decision is expected to be made within the next month. The opportunity has the potential for exploration drilling to commence in the December quarter.

Production from Strike’s US onshore Gulf Coast wells was temporarily cut back to minimum operational levels following maintenance and testing on 25 September 2009. This responded to the historically low market price for gas at a time when gas futures indicated significantly higher prices would be offered in the short term future.

The forecast price rebound has since been achieved, with the Henry Hub spot price for gas increasing some 150% from the lows of US\$1.85/MMBtu in mid September 2009 to over US\$4.50/MMBtu in October 2009 and the Nymex futures price currently sitting at approximately US\$6.00/MMBtu for January 2010.

In view of this improvement, the production joint venture agreed to ramp-up production to full capacity with this expected to be achieved by the end of October 2009.

The joint venture will continue to monitor market prices to consider if further production adjustments are warranted, however the Company does not expect further cut-backs to be made given the gas storage injection season typically ends by the start of November with the onset of winter conditions.

### Australian Coal Seam Gas – preparations for drilling

Following completion of a tender, a letter of intent has been issued to secure a drill rig for the planned three hole program to test the CSG potential of the Southern Cooper Coal Seam Gas Project, located south of Moomba in South Australia. A drilling contract is being finalised and drilling is

expected to commence in January 2010 subject to statutory approvals.

Other preparations to drill are well advanced, with the requisite cultural heritage clearances of drill sites and other access investigations completed enabling submissions in support of the required statutory approvals to drill.

An independent technical review conducted during the quarter by CSG specialists MBA Petroleum Consultants of Brisbane has confirmed a Prospective Resource of 7,000 to 19,000 Petajoules of gas-in-place (Strike share 5,000 to 12,000 Petajoules) at the project.

The project also holds potential for Underground Coal Gasification (UCG). Studies of the UCG potential are being undertaken and additional information gained by the CSG drilling program discussed above will also assist this assessment.

Strike holds a 66.7% interest in and is operator of the project which features extensive thick coal seams and close proximity to Epic Energy’s “open access” Moomba-to-Adelaide gas pipeline, providing direct access to the South Australian gas market as well as the broader eastern Australian market.

### Australia – Other large scale energy potential

Activity for the Company’s other Australian energy projects was limited during the quarter.

#### *Baniyas*

Strike has a 40% interest in the Baniyas oil prospect located between Onslow and Thevenard Island, off the West Australian coast. The area sits adjacent to fields that have produced over 150 million barrels of oil to date.

During the quarter, negotiations continued to secure exploration rights over a greater portion of the Baniyas geological structure.

#### *FuturGas*

A revised scope of works to undertake a Preliminary Feasibility Study (PFS) for the FuturGas project based on the Company’s 578 million tonne JORC compliant lignite resource near Kingston in South Australia is being prepared.

### Health, Safety and Environment

The Company did not record any safety or environmental incidents during the quarter.

## USA - GULF COAST PRODUCTION REPORT

The Company has ten producing wells on two gas projects approximately 100 kilometres WSW of Houston, in Texas (the Rayburn and Mesquite projects).

### Production Volume

The following table summarises production volume performance for the quarter ended 30 September 2009 compared to the previous quarter:

	Strike Working Interest		
	Sept 09	Jun 09	%
Gas (MMcf)	524	680	-23
Oil (bbl)	10,688	15,461	-31
<b>Boe<sup>1</sup> (bbl)</b>	<b>63,047</b>	<b>83,501</b>	<b>-24</b>
<b>MMcfe<sup>2</sup> (MMcf)</b>	<b>630</b>	<b>835</b>	<b>-25</b>

<sup>1</sup> Barrels of oil equivalent (Boe) is based on a 10:1 value ratio  
<sup>2</sup> Gas equivalent is based on a 1:10 value ratio

**Table 1:** Combined production from the Rayburn and Mesquite projects for the quarters ended 30 September and 30 June 2009.

Average gross production from the Rayburn and Mesquite projects for the quarter was 25 million cubic feet of gas per day (MMcf/d) and 25 barrels of oil-condensate per day (bbls/d) or 3,049 boe/d. Strike's share was 6 MMcf/d and 119 bbls/d or 700 boe/d.

The decrease in the quarter's production volumes was the result of natural field decline and the cut back of production in September initially for maintenance and testing, and extended in view of the decreased market price for gas.

## Production Revenue and Margins

The following table summarises production revenue for the quarter ended 30 September 2009 compared to the previous quarter:

Revenue (\$'000)	Strike Working Interest		
	Sept 09	Jun 09	%
Gas	3,006	3,248	-7
Oil	853	1,103	-23
	<b>3,859</b>	<b>4,351</b>	<b>-11</b>
<b>Gross Margin<sup>1</sup></b>	<b>66%</b>	<b>69%<sup>2</sup></b>	

<sup>1</sup> Gross margin is quarterly oil and gas revenue less operating costs, royalties and taxes as a percentage of oil and gas revenue. This represents a change from the basis of calculation in previous quarterly reports which also deducted non cash amortisation of producing assets.  
<sup>2</sup> The gross margin excludes \$417,000 of state tax exemptions received during the quarter. If this amount were applied as a reduction in operating costs for the quarter this would increase the reported gross margin to 78%.

**Table 2:** Strike production revenue and margin for the quarters ended 30 September and 30 June 2009.

The average gas sales price for the quarter was US\$4.38/Mcf, up from US\$4.16/Mcf received in the previous quarter. The average oil sales price for the quarter was US\$65.83/bbl, up from US\$57.27/bbl received in the previous quarter.

Oil and gas revenue totaled \$3.9 million for the quarter. This together with other non-oil and gas revenue of \$0.7 million, resulted in the Company recording total revenue of \$4.6 million for EBITDAX of \$2.1 million for the quarter.

Whilst oil and gas revenue was 11% down on the previous quarter, cash receipts for the quarter of \$4.9 million represented an increase of 7% on \$4.6 million received in the previous quarter, reflecting standard timing delays in the collection of sales revenues and foreign currency rate movements.

## JORC COMPLIANCE STATEMENT – FUTURGAS RESOURCE

The FuturGas coal resources included in this report are located at Kingston South Australia and have been classified and reported in accordance with the JORC code.

The JORC resource estimate is comprised of 523.5 million tonnes of Measured Resources and 54.8 million tonnes of Indicated Resources; a total of 578.3 million tonnes.

The information in this report that relates to coal resources is based on information compiled by Mr Charles Parbury, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Parbury is a senior geologist with McElroy Bryan Geological Services Pty Ltd.

Mr Parbury has sufficient experience which is relevant to the style and mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC code). This expertise has been acquired principally through exploration and evaluation assignments at operating coal mines and for coal exploration areas in Australia's major coal basins.

Mr Parbury consents to the inclusion of this statement in the report based on his information in the form and context in which it appears.

## CORPORATE INFORMATION

### Directors:

Chairman: J W Schneider

Managing Director: S M Ashton

Non-executive Director: D C Wrench

Non-executive Director: T M Clifton

Company Secretary: A J Brazier

### Issued Capital (as at 27 October 2009):

Shares on issue: 328,558,430

Unlisted Options: 11,868,000

### Top 10 Shareholders (as at 27 October 2009):

Name	Shares	%
<i>Plato Prospecting Pty Ltd</i>	22,524,998	6.86
<i>Calm Holdings Pty Ltd</i>	19,997,243	6.09
<i>ANZ Nominees Limited</i>	13,233,326	4.03
<i>National Nominees Limited</i>	13,146,225	4.00
<i>S&amp;Y Ashton Nominees Pty Ltd</i>	8,533,964	2.60
<i>Mr James Michael Durrant</i>	8,091,754	2.46
<i>D B Angliss Pty Ltd</i>	5,850,000	1.78
<i>Sassey Pty Ltd</i>	5,634,895	1.72
<i>Manotel Pty Ltd</i>	4,800,000	1.46
<i>Ginostra Capital Pty Ltd</i>	3,000,000	0.91

*For further information contact:*

Simon Ashton – Managing Director

### STRIKE OIL LIMITED

Registered Office:

Level 9, Wesfarmers House  
40 The Esplanade Perth,  
Western Australia, 6000

Telephone: (+61) 8 6103 0999

Facsimile: (+61) 8 6103 0990

Email: [strike@strikeoil.com.au](mailto:strike@strikeoil.com.au)

Website: [www.strikeoil.com.au](http://www.strikeoil.com.au)

Share Register Enquiries:

Computershare Investor Services  
Level 2, 45 St George's Terrace Perth  
Western Australia, 6000

Telephone: (+61) 8 9323 2000

Facsimile: (+61) 8 9323 2033

ASX Code: STX