

Reliable production and cashflow; advanced exploration prospects; potentially company-transforming greenfields targets; robust acquisition opportunity under consideration

HIGHLIGHTS

USA – Onshore Gulf Coast Production

- Producing approximately 700 barrels of oil equivalent per day (Strike's interest) from ten wells at the Rayburn and Mesquite Projects.
- Bateman Lake exploration joint venture in Louisiana commenced with drilling of the Driskill Land Co 1 well, spudded 15 January 2010 with a proposed total depth of 8,933 feet (2,723 metres). Current depth at date of this report 8,640 feet (2,633 metres). Strike to earn a minimum 12.6% interest in this prospect, with a prospective gas resource of 15-25 billion cubic feet (Bcf).
- Eaglewood joint venture set to re-commence exploration in Texas, with Strike holding a 30% interest in two wells to be drilled on advanced prospects, similar in nature to the Rayburn and Mesquite discoveries in the prolific Wilcox Formation. One with a potential gas resource of 30 Bcf, the other 100 Bcf.

AUSTRALIA – Southern Cooper Coal Seam Gas (CSG) Project

- CSG drilling in the Southern Cooper Basin permit PEL 96 is scheduled to start in February 2010, being later than anticipated due to heavy rains in Queensland delaying arrival of the drilling equipment.
- Regional exploration acreage significantly expanded (now 17,600km² equating to 2% of the South Australian land mass) through acquisition of exploration interests in adjacent exploration permits and successful new permit applications.

PHILIPPINES – Near Term Production Opportunity

- Due diligence and evaluation of the Cadlao Oilfield (2P Reserves of 6.3 million barrels of oil) is continuing under an exclusive option secured 16 December 2009 to purchase a 100% interest in the project.
- The date for option exercise over this near term production opportunity (potential production from late 2010) has been extended to 28 February 2010 to allow due diligence review completion.

OUR STRENGTHS

- High margin producer
- Multiple large scale growth options
- Experienced team
- Long term track record of success

Strike Energy Limited
Level 9, Wesfarmers House
40 The Esplanade
Perth WA 6000

T: 61 8 6103 0999
F: 61 8 6103 0990
E: strike@strikeenergy.com.au
www.strikeenergy.com.au

Activities Report



FOR THE QUARTER ENDED 31 December 2009

ABN 59 078 012 745

29 January 2010

CORPORATE

- A\$0.9 million EBITDAX for the quarter.
- A\$14.4 million of cash and listed investments on hand at 31 December 2009.
- US\$5.3 million (A\$5.9 million) of debt at 31 December 2009 - 3½ years repayment schedule, repayment holiday till June 2010.

OUR STRENGTHS

- High margin producer
- Multiple large scale growth options
- Experienced team
- Long term track record of success

Strike Energy Limited
Level 9, Wesfarmers House
40 The Esplanade
Perth WA 6000

T: 61 8 6103 0999
F: 61 8 6103 0990
E: strike@strikeenergy.com.au
www.strikeenergy.com.au

QUARTERLY ACTIVITY

Overview

Strike Energy Ltd (“Strike” or “Company”) completed an active quarter ended 31 December 2009 and has commenced 2010 with exploration underway or starting in the near future on multiple fronts in both the US and Australia. In addition, an option to acquire the Cadlao Oilfield, offshore Philippines, was secured during the second quarter adding the potential for additional near term production in 2010.

USA Business – Drilling underway, continued high margin production

Strike ramped back up to full production from its interest in ten producing wells comprising the Rayburn and Mesquite Projects, onshore Gulf Coast Texas, during the quarter.

Production at quarter’s end was approximately 700 barrels of oil equivalent per day generating monthly gross revenue of approximately \$1.3 million (Strike’s interest). Gross revenue currently sits at \$1.2 million per month at current oil and gas prices.

Beyond current production Strike has commenced a new onshore Gulf Coast exploration program on two fronts.

In Louisiana, Strike has farmed into a new exploration joint venture (the Bateman Lake joint Venture) with Texana Resources, taking a minimum 12.6% interest in the Driskill Land Co 1 well which spudded on 15 January 2010.

The proposed total depth of the well is 8,933 feet (2,723 metres), with the prospect assessed to have a pre-drill prospective gas resource of 15-25 Bcf of gas. At the date of this report the well is at 8,640 feet (2,633 metres). Strike’s share of the total well cost is estimated at approximately US\$150,000.

In Texas, Strike is preparing for the drilling of two wells on new Eaglewood Joint Venture prospects which lie on the same trend as the Rayburn and Mesquite producing fields. These two new prospects are similar in nature to the Rayburn and Mesquite discoveries being also located in the prolific Wilcox Formation. One has a

potential gas resource of 30 Bcf and the other 100 Bcf. Strike has a 30% working interest in these prospects.

Overall, up to ten new exploration wells are planned across the two joint venture project areas for 2010.

Australian Coal Seam Gas – Drilling to commence

Strike is set to commence drilling in the Southern Cooper Basin permit PEL 96 in South Australia in February 2010 to test the coal seam gas (CSG) prospectivity of the project.

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.

An independent technical review by CSG specialists MBA Petroleum Consultants of Brisbane previously confirmed a Prospective Resource of 7,000 to 19,000 Petajoules of gas-in-place (Strike’s 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.

Heavy rains in Queensland have delayed arrival of the drilling equipment to undertake the drilling program. The current expectation is for the first exploration well to commence drilling in late February 2010.

Beyond PEL 96 and the Company’s PELA 71 Birdsville Ridge Project, Strike has increased its exposure from 10,000 sq km to 17,600 sq km in the southern region of the Cooper/Eromanga Basins by means of a successful new acreage bid and acquisition of new working interests.

Strike was the successful bidder for licence area CO 2009-D in the recent South Australian bid round and holds a 100% position in this permit. In addition, the Company was successful in acquiring Magellan Petroleum Corporation’s (“Magellan”) non-operated working interests in PEL 94 (35%), PEL 95 (50%) and PPL 210, Aldinga Oilfield (50%).

The combination of these interests, with Strike's operating 66.7% interest in PEL 96 and 75% interest in PELA 71, gives Strike the dominant position in future oil exploration and ongoing non-conventional evaluation (primarily CSG) in the region.

The southern Cooper/Eromanga region contains conventional oil potential throughout the Strike permits as indicated by oil shows in several of the existing wells and the presence of the Aldinga Oilfield in PEL 95 and the Kobari Oilfield on the northern boundary of PEL 95.

In addition, the Permian CSG potential in PEL 96 extends into PEL 94 and PEL 95 to the north.

A much shallower CSG play exists in the Tertiary and Cretaceous (Winton Formation) age sequences at depths between 200 and 600 metres in all of Strike's permits. The Winton Formation coals are being evaluated by other companies to the north. The Permian and shallower coal measures could also have UCG potential.

Philippines – New opportunity for near term production

An exclusive option to secure a 100% interest in the Cadlao Oilfield was secured by the Company on 16 December 2009. VenturOil Inc, a Philippines registered company, holds a right to acquire 20% of this interest.

The Cadlao Oilfield is located 50 kilometres offshore Palawan, Philippines, and is 100% held through Service Contract 6 (Cadlao) by unlisted Australian public company Blade Petroleum Limited ("Blade").

The field was previously operated by Amoco and produced 11.1 million barrels of oil between 1981 and 1991. A more recent 3D seismic survey revealed additional structural detail including the potential for undrained oil.

Based upon the 3D seismic survey and the project's production history, substantial oil reserves are estimated to remain up-dip from past production wells. The remaining oil reserves are summarised as follows:

Reserve category	Total field (million barrels)	Net to Blade* (million barrels)
1P	3.60	2.49
2P	6.32	4.27
3P	7.76	5.03

* Reserves attributable to Blade net of Government share.
* Reserve estimates reviewed and endorsed by RISC Pty Limited, an Australian/global petroleum consulting firm.

These Reserves would provide a fourfold increase to Strike's existing oil and gas Reserves inventory.

An early production development program is proposed which would see oil production commencing in the fourth quarter of calendar 2010 at an initial rate in the order of 5,000 to 10,000 barrels per day, delivering substantial cashflow to Strike.

The project is covered with 15 years remaining on a Service Contract (similar to a Production Sharing Contract, or PSC) providing project tenure until 2024. The project approval process is well advanced and a Plan of Development was approved in July 2009 by the Republic of Philippines' Department of Energy.

Strike has secured an option to acquire 100% of the issued capital of Blade in consideration for the payment of up to A\$20 million, comprising:

- An initial payment of A\$10 million through the issue of 33 ½ million Strike shares at A\$0.30 per share to acquire 100% of Blade.
- Further performance payments of up to A\$10 million in cash or Strike shares (at Strike's election), payable in two tranches:
 - The first tranche of A\$5 million to be paid upon Strike receiving free cashflow from Cadlao totalling A\$10 million; and
 - The second tranche of A\$5 million to be paid upon Strike receiving free cashflow from Cadlao totalling A\$20 million.

Any Strike shares issued as part of the performance consideration will be valued at the five day VWAP prior to the performance hurdle being met.

Due diligence is underway. The option term was recently extended to 28 February 2010.

The proposed transaction provides a low cost acquisition for Strike. Under the terms of the transaction 2P oil Reserves could be acquired for US\$4.20 per barrel (A\$4.60 per barrel).

Strike and Blade believe that low capital expenditure (“capex”) development options are available and commercial discussions to this end have commenced. Capex exposure can be further limited by a range of financing options.

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.

Carnarvon Petroleum recently elected to withdraw from the project with the result that Strike’s working interest in the Baniyas Joint Venture will now increase from 40% to 61.5%.

During the quarter, negotiations continued with Strike and its joint venture partners seeking 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.

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 quarters ended 31 December and 30 September 2009:

	Strike Working Interest		
	Dec 09	Sept 09	%
Gas (MMcf)	445	502	-11
Oil (bbl)	8,785	10,583	-17
Boe¹ (bbl)	53,330	60,790	
MMcfe² (MMcf)	533	608	

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

Table 1: Combined production from the Rayburn and Mesquite projects for the quarters ended 31 December and 30 September 2009.

Production was temporarily cut back to minimum operational levels for approximately four weeks between late September and late October 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. This subsequently occurred, with Henry Hub benchmark gas prices exceeding US\$6.50 per MMBtu in January 2010.

Average gross production from the Rayburn and Mesquite projects after the end of the cut back was 25 million cubic feet of gas per day (MMcf/d) and 488 barrels of oil-condensate per day (bbls/d), or 2,988 boe/d. Strike’s share was 5.8 MMcf/d and 113 bbls/d, or 693 boe/d.

Production Revenue and Margins

The following table summarises production revenue and gas margin for the quarters ended 31 December and 30 September 2009:

Revenue (\$'000)	Strike Working Interest		
	Dec 09	Sept 09	%
Gas	2,138	3,006	-29%
Oil	704	853	-17%
	2,842	3,859	-26%
Gross Margin	62%	66%	

Table 2: Strike production revenue and margin for the quarters ended 31 December and 30 September 2009.

The average gas sales price for the quarter was US\$4.53/Mcf, down from US\$4.91/Mcf received in the previous quarter. The average oil sales price for the quarter was US\$69.94/bbl, up from US\$65.95/bbl received in the previous quarter.

Oil and gas revenue totalled \$2.8 million for the quarter. This together with other non-oil and gas revenue of \$0.9 million, resulted in the Company recording total revenue of \$3.7 million for EBITDAX of \$0.9 million for the quarter.

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 28 January 2010):

Shares on issue: 328,558,430
 Unlisted Options: 19,665,000

Top 10 Shareholders (as at 28 January 2010):

Name	Shares	%
Plato Prospecting Pty Ltd	22,524,998	6.86
Calm Holdings Pty Ltd	19,997,243	6.09
ANZ Nominees Limited	12,974,473	3.95
National Nominees Limited	11,626,225	3.54
S & Y Ashton Nominees Pty Ltd	8,533,964	2.60
Mr James Michael Durrant & Mrs Monica Catherine Durrant	7,691,754	2.34
D B Angliss Pty Ltd	5,975,000	1.82
Sassey Pty Ltd	5,434,895	1.65
P J Enterprises Pty Limited	4,500,000	1.37
Ginostra Capital Pty Limited	4,000,000	1.22

For further information contact:

Simon Ashton – Managing Director

STRIKE ENERGY 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@strikeenergy.com.au

Website: www.strikeenergy.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