

The Company Announcement Officer
Australian Stock Exchange Ltd
via electronic lodgement

EXPANDED CSG AND OIL ACREAGE, CREATES DOMINANT POSITION IN THE SOUTHERN COOPER

Strike Energy Limited ("Strike") advises that it has substantially increased its acreage position in the Cooper/Eromanga Basin of South Australia.

- Strike Energy expands its Cooper/Eromanga acreage to be dominant player in southern Cooper Region. The Company now holds 17,600 sq km or approximately 2% of the South Australian land mass.
- Acreage contains substantial coal seam gas ("CSG") and oil prospectivity.
- New acreage raises the profile of the Southern Cooper region in the Strike portfolio.
- Drilling to commence in January 2010.

Expanded Acreage Position

By means of a successful new acreage bid and acquisition of new working interests, Strike has increased its exposure from 10,000 sq km to 17,600 sq km in the southern region of the Cooper/Eromanga Basins.

Strike was the successful bidder for CO2009-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") working interests in PEL 94 (35%), PEL 95 (50%) and PPL 210, Aldinga Oilfield (50%). These new permit acquisitions add to Strike's existing interests in PEL 96 (66%) and PELA 71 (75%).

The combination of these interests gives Strike the dominant position in future oil exploration and ongoing non-conventional primarily CSG evaluation in the region.

Substantial Prospectivity

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.

OUR STRENGTHS

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

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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 underground coal gasification ("UCG") potential.

Strategic Impact on Strike

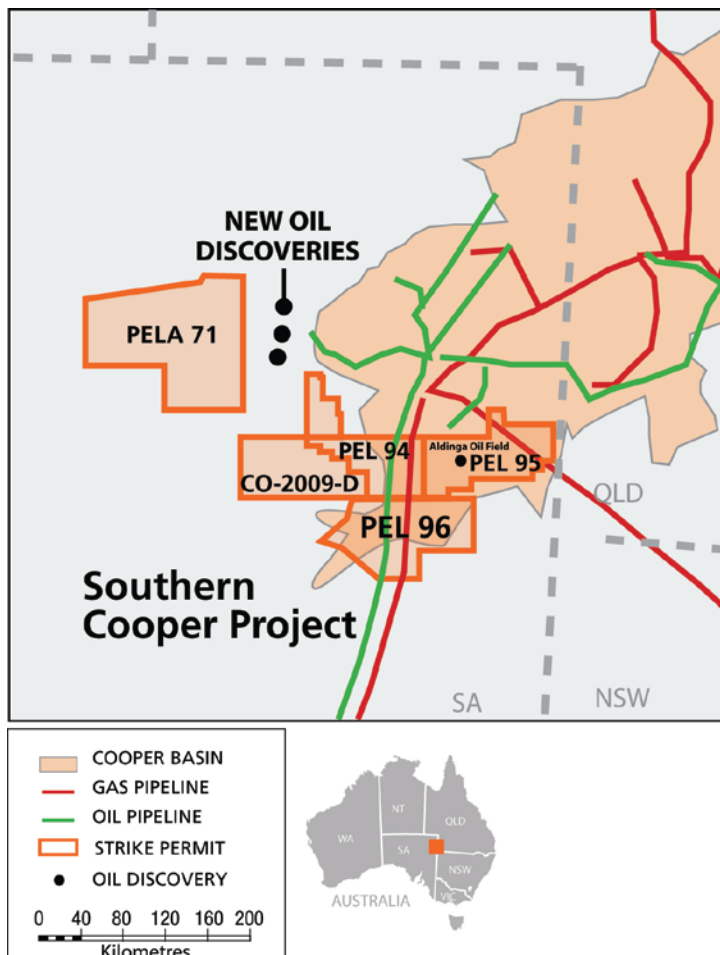
The combined acreage position now achieved by Strike provides a substantial material position to the Company. The greater exposure to CSG at depths varying from 200 to over 1,000 metres and the exposure to the Eromanga oil play adds substantially to Strike's portfolio of opportunities.

Drilling to Commence in the New Year

Initial evaluation in the region is planned to commence in January 2010 with the CSG drilling in the PEL 96 permit.

Strike Energy's Managing Director, Simon Ashton, commenting on the expanded acreage position said:

"Strike now has a dominant position in the southern Cooper region which contains potential for both unconventional gas associated with the coal measures (both CSG and UCG) and oil associated with the Eromanga Basin sequences".



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BACKGROUND

Coal Seam Gas Potential: Cooper Basin - Southern Flank

Over the past six months, Strike has conducted a comprehensive study of the CSG potential along the southern flank of the Cooper and surrounding Eromanga Basins in South Australia.

The study revealed a second major CSG opportunity, at depths from 200 to 600 metres, in coal measures within the Tertiary Eyre and Cretaceous Winton Formations, in addition to confirming the potential of the deeper Permian coals, the target for the Company's forthcoming drilling programme.

Acquisition of New Cooper Basin Interests

Strike has been successful in a tender to acquire Magellan's interests in permits PEL 94 and PEL 95 and production licence PPL 210, adjoining the Company's existing permit PEL 96. Total consideration payable is A\$1.3 million.

The acquisition provides Strike with coverage across all of the formations prospective for unconventional gas in the southern Cooper Basin. In addition, it secures a producing oil field and greater exposure to conventional oil and gas opportunities, in particular to the developing Eromanga oil plays in this part of the Basin.

(i) PEL 94 and PEL 95

Strike acquired a 35% working interest in PEL 94 and a 50% working interest in PEL 95.

Both permits are operated by Beach Petroleum Limited and are located adjacent to and north of the PEL 96 permit, in which Strike has a 66% interest and is Operator.

(ii) PPL 210

Strike acquired a 50% interest in production licence PPL 210 covering the Aldinga Oilfield situated within PEL 95, and currently producing 15 barrels of oil per day.

(iii) Successful Bid for CO2009-D

Strike has been the successful bidder for Block CO2009-D on the southern edge of the Cooper Basin in the latest South Australian Government acreage release.

The block contains potential for Eromanga Basin oil as well as CSG associated with shallow Cretaceous Winton Formation and Tertiary age coals.

Current Drilling Programme - PEL 96

An initial drilling program to test unconventional gas targets within PEL 96 is due to commence in January 2010.

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The program is primarily focussed on testing extensive coal seams within the Permian Toolachee, Epsilon and Patchawarra Formations at depths greater than 1,000 metres in the eastern part of the permit. Coal from cores obtained in this programme will be evaluated for gas content and permeability.

Regulatory approval has been received for the program and negotiations are being held with a preferred contractor for drilling to commence in late January 2010.

A second program is being planned for the western part of the permit to evaluate the distribution, thickness, gas content and permeability of the Tertiary and Cretaceous coals at depths between 200 to 600 metres as well as the deeper Permian coals. The timing of the second program will be determined once the results of the first program are obtained.

Both drilling programs will be primarily focussed on CSG potential however data will also be gathered with respect to Eromanga Basin oil potential as well as conventional gas potential and UCG.

Strategic Position

The recent expansion of Strike's exploration acreage in the southern Cooper Basin provides the Company with an extensive and industry dominant position over the shallowest development of Permian coal measures in the Cooper Basin as well as gaining exposure to several Eromanga Basin oil prospects. Additionally, the tenements secure extensive areas in which shallow Tertiary and Cretaceous coal measures have been recorded.

The shallower Tertiary and Cretaceous coals are not well documented but have been recorded in oil and gas exploration wells and water bores in the region. Evidence exists for individual seams and composite thickness of up to 10 metres within Strike's PEL 96 and PELA 71 permits.

The Cretaceous Winton Formation coals are being evaluated for their CSG potential by other operators elsewhere in the Cooper Basin.

The combination of PEL 96, PELA 71, PEL 94, PEL 95 and Block CO2009-D provide a vast area for Strike to explore the coal measures and the oil potential in the region.

Yours faithfully

A handwritten signature in black ink, appearing to read "Simon Ashton".

SIMON ASHTON
Managing Director

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