



STRIKE OIL LIMITED

ABN 59 078 012 745

HALF YEARLY REPORT

31 December 2004

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by STRIKE OIL LIMITED during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

The Directors present their report on Strike Oil Limited for the half-year ended 31 December 2004.

Directors

The following persons were Directors of Strike Oil Limited during the whole of the half-year and up to the date of this report:

Mr Jeff Schneider (Chairman)
Mr Simon Ashton (Managing Director)
Mr Jim Durrant (Technical Director)
Mr Roy Woodall (Non-Executive Director)
Mr David Wrench (Non-Executive Director)
Mr John Traicos (Non-Executive Director)

Review of Operations

The economic entity's policy is to write off acquisition and exploration costs associated with abandoned or non-commercial areas and to this extent an amount of \$6,321,038 (2003: nil) was written off. Expenditure totalling \$2,074,346 (2003: \$17,716,257) has been carried forward on other areas where operations are continuing. The consolidated results are as follows:

	Half Year	
	2004	2003
	\$	\$
Operating loss after income tax	(6,009,375)	(357,219)

Strike Oil listed on the Australian Stock Exchange (ASX) on 5 August 2004 raising \$12 million by issuing 60 million fully paid shares at \$0.20 each.

Strike Oil established its credentials during the half year as an offshore operator by successfully operating two offshore exploration wells in the Carnarvon Basin this half year with no Health, Safety or Environment incidents and on budget. Strike Oil also participated in one well in the Carnarvon Basin as non-operator.

Unfortunately none of the three wells intersected commercial hydrocarbons although some encouragement can be drawn from the intersection of hydrocarbons in two of the three wells. The data from these wells is now being integrated with the existing data to enhance the knowledge base in the region.

Strike Oil is continuing its work on new seismic acquisition, prospect generation and planning in preparation for further drilling in the Carnarvon Basin and Cooper/Eromanga Basins during 2005. In additionally the company is continuing its search for early cash flow projects such as appraisal, development and production acquisition opportunities.

DIRECTORS' REPORT (cont.)

SIGNIFICANT PROJECT ACTIVITIES

CARNARVON BASIN

- **TP/17 (Strike Oil 90%)**

Strike Oil farmed out a 10% interest in TP/17 to Bow Energy Limited, a subsidiary of Arrow Energy Limited.

Strike Oil operated the Altostratus 1 well which was drilled to a total depth of 1,132 metres. The only significant hydrocarbons were intersected in the Triassic Mungeroo Formation which was interpreted at the time of drilling to be a 3 metre oil column of no commercial significance. Subsequent evaluation of the data indicates this interval is most likely to be a gas interval with some residual oil of no commercial significance. The implications of the result to other prospects in TP/17 are under review.

- **TP/18, EP 420 (Strike Oil 50%)**

Strike Oil participated in the Boojum 1 well operated by Tap Oil which was drilled to a total depth of 2,577 metres. The well intersected a 17 metre gas column in the primary target which is of no commercial significance at this location. The implications of this result to other prospects in TP/18 and EP 420 are under review.

- **EP 325 (Strike Oil 40%)**

Strike Oil farmed into EP 325 by funding 50% of the Cooper 1 well to earn 40% interest.

Strike Oil operated the Cooper 1 well on behalf of Victoria Petroleum. The Cooper 1 well drilled to a total depth of 2,103 metres with no significant hydrocarbons intersected in the well. The implications of this result to other prospects in EP 325 are under review.

- **WA 261P (Strike Oil 16.2%)**

Strike Oil committed to the drilling of two wells, Vesta 1 and Gats 1 proposed to be drilled in mid 2005, by operator Apache Energy.

- **Prospect Generation**

Planning of offshore seismic in many of Strike Oil's permits is progressing with acquisition due to commence in mid 2005.

This new seismic coupled with ongoing prospects and lead mapping will be utilised to locate the next drilling targets.

COOPER/EROMANGA BASINS

Progress is being made with respect to Native Title agreements for PELA 71, PELA 96 and ATP 633P, to enable seismic and drilling to commence in 2005. In particular it is anticipated that seismic acquisition and drilling will be conducted in ATP 633P during the second or third quarter 2005.

DIRECTORS' REPORT (cont.)

NEW BUSINESS

- **Application for Areas L04-1 & L04-3 in the Carnarvon Basin**

Strike Oil was advised by the Western Australian Department of Industry and Resources that the company's applications for two new permits, gazettal application areas L04-1 and L04-3 in the Carnarvon Basin, have been successful.

Both areas contain small islands with respect to which the company has agreed to a condition denying access to enable the expedited process of the Native Title Act to be applied.

Area L04-1 is approximately 20 km east of the Harriet Oilfield and Area L04-3 is approximately 14 km southwest of the Saladin Oilfield.

The permits contain a number of leads and prospects close to known oilfields which Strike Oil plans to follow up with a seismic acquisition survey in the first year of each of the permits.

- **Cash Flow Assets**

Strike Oil has increased its efforts to evaluate and secure an early cash flow project by focussing additional resources on appraisal, development and production acquisition opportunities.

Wells Drilled in the Six Months to 31 December 2004

Well	Permit	Total Depth (metres)	Results
Altostratus 1	TP/17	1,132	Small gas column - with residual oil
Boojum 1	TP/18	2,577	Gas discovery - non Commercial
Cooper 1	EP 325	2,103	No significant hydrocarbons

Proposed Carnarvon Basin Drilling Program

Well	Permit	Equity	Potential * (metres) Million bbls	Estimated Timing	Operator
Vesta 1*	WA-261-P	16.2%	9 - 20	Mid 2005	Apache
Gats 1*	WA-261-P	16.2%	14 - 33	Mid 2005	Apache

Note

* Potential ranges represent mean to upside (P10) recoverable oil potentials

DIRECTORS' REPORT (cont.)

CORPORATE

Comet Ridge Limited (10% owned by Strike Oil Limited) continues to make progress to establish itself as significant coal seam gas producer.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

DATED at Perth this 24th day of February 2005.

A handwritten signature in black ink, appearing to read 'Simon Ashton', with a wavy underline.

SIMON ASHTON
Managing Director
Strike Oil Limited

Auditors' Independence Declaration

As lead auditor for the review of Strike Oil Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Strike Oil Limited during the period.



David J Smith
Partner
PricewaterhouseCoopers

Perth
24 February 2005

STRIKE OIL LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Note	Half Year 2004 \$	2003 \$
Revenue from ordinary activities		150,134	37,434
Exploration costs		(6,321,038)	-
Provision for diminution in investment written back		62,500	-
Administration		(685,827)	(394,653)
Loss from ordinary activities before related income tax expense		(6,794,231)	(357,219)
Income tax benefit	2	784,856	-
Net loss		(6,009,375)	(357,219)
Total changes in equity attributable to members of Strike Oil Ltd other than those resulting from transactions with owners as owners		(6,009,375)	(357,219)
		Cents	Cents
Basic (loss) per share		(4.61)	(0.75)
Diluted (loss) per share		(4.61)	(0.75)

The above statement of financial performance should be read in conjunction with the accompanying notes.

STRIKE OIL LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Note	31 Dec 2004 \$	30 June 2004 \$
CURRENT ASSETS			
Cash		12,797,268	5,395,128
Receivables		1,242,960	209,366
Other		56,497	28,675
TOTAL CURRENT ASSETS		14,096,725	5,633,169
NON-CURRENT ASSETS			
Receivables		-	69,541
Exploration		2,074,346	2,722,572
Fixed Assets		124,350	48,780
Other Financial Assets		750,000	687,500
Deferred Tax Asset		-	31,917
TOTAL NON CURRENT ASSETS		2,948,696	3,560,310
TOTAL ASSETS		17,045,421	9,193,479
CURRENT LIABILITIES			
Payable		3,466,441	341,835
Provisions		132,872	55,308
TOTAL CURRENT LIABILITIES		3,599,313	397,143
NON-CURRENT LIABILITIES			
Deferred Tax Liability		-	816,772
TOTAL NON-CURRENT LIABILITIES		-	816,772
TOTAL LIABILITIES		3,599,313	1,213,915
NET ASSETS		13,446,108	7,979,564
EQUITY			
Contributed Equity	7	18,963,404	7,484,953
Retained Profits / (Accumulated Losses)		(5,517,296)	494,611
TOTAL EQUITY		13,446,108	7,979,564

The above statement of financial position should be read in conjunction with the accompanying notes.

STRIKE OIL LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Half Year	
	2004 \$	2003 \$
Cash flows from operating activities		
Payments to suppliers and employees	(990,970)	(438,677)
Overhead cost recoveries Joint Venture	27,500	37,500
Interest received	328,202	37,442
	<hr/>	<hr/>
Net cash outflow from operating activities	(635,268)	(363,735)
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds on sale of project interests	-	1,000,000
Exploration and evaluation expenditure	(3,159,119)	(2,331,728)
Payments for property, plant and equipment	(100,509)	(5,647)
Preference bonds	-	(1,240)
	<hr/>	<hr/>
Net cash outflow from investing activities	(3,259,628)	(1,338,615)
	<hr/>	<hr/>
Cash flows from financing activities		
Share placement	12,067,118	-
Fundraising costs	(767,082)	-
Dividends paid	(3,000)	-
	<hr/>	<hr/>
Net cash inflow from financing activities	11,297,036	-
	<hr/>	<hr/>
Net increase / (decrease) in cash held	7,402,140	(1,702,350)
Cash at the beginning of the financial period	5,395,128	1,998,818
	<hr/>	<hr/>
Cash at the end of the financial period	12,797,268	296,468
	<hr/>	<hr/>

The above statement of cash flows should be read in conjunction with the accompanying notes.

STRIKE OIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 1 - Basis of Preparation of Half-Year Financial Report

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by STRIKE OIL LIMITED during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the applications of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The entity has considered the transition to Australian equivalents to IFRS. To date, the Company has assessed the following impact of IFRS on the operations and identified areas where accounting policy changes will be required.

(i) *Income tax*

Under the new AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, where items are only tax effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) *Financial Instruments*

Under the new AASB 132 *Financial Instruments: Disclosure and Presentation* the current classification of financial instruments issued by the entity will not change.

STRIKE OIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

International Financial Reporting Standards (IFRS) (cont.)

(iii) Capitalisation of Exploration and Evaluation Costs

The company currently uses the "areas of interest" principles which are used commonly in Australia and in accordance with the Australian Accounting Standard AASB 1022 "Accounting for the Extractive Industries". The AASB has recently released AASB 6 Exploration for and Evaluation of Mineral Resources which is not expected to cause significant changes to the company's accounting for capitalised exploration and evaluation expenditure. AASB 6 continues to allow an area of interest approach to impairment and the standard effectively permits the grandfathering of existing accounting treatments of exploration and evaluation expenditure.

Impairment tests of exploration and evaluation assets will be required once technical feasibility and commercial viability is determinable.

(iv) *Share based payments*

Under the new AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(v) *Recoverable amount of non current assets.*

Discounted cash flows must be used to calculate recoverable amounts under the new AASB 136 *Impairment of assets*, however the current accounting policy does not require discounted cash flows.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choice of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the entity's financial position and reported results

Note 2 – Income Tax

Tax expense

The amount of income tax expense for the half year differs from the amount calculated on the loss.

	2004 \$
The differences are reconciled as follows:	
Loss from ordinary activities before income tax expense	(6,794,231)
Income tax calculated at 30% (2003 – 30%)	(2,038,269)
Tax effect of permanent differences	
- Capital raising	(55,324)
- Non deductible expenses	1,236
Income tax adjusted for permanent differences	(2,092,357)
Net future income tax benefit not brought to account	2,877,213
Income tax benefit	784,856

STRIKE OIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 2 – Income Tax (cont.)

Unbooked future income tax benefit

Future income tax benefit attributable to operating losses	1,873,380
Less: offset to provision for deferred income tax	(902,223)
Future income tax benefit attributable to timing differences not brought to account	<u>1,906,056</u>
Future income tax benefit not brought to account	<u><u>2,877,213</u></u>

These benefits will only be obtained if:

- i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised; or
- ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

Note 3 – Segment Information

The company operates predominantly in one industry, being the petroleum exploration industry. The company operates exclusively in Australia.

Note 4 - Contingent Liabilities

There have been no changes in the contingent liabilities from those reported in the previous financial year.

Note 5 - Events Subsequent to Balance Date

No events subsequent to balance date were considered to materially affect the accounts.

	Half Year	
	2004	2003
	\$	\$
Note 6 – Dividends		
Preference Shares		
Dividends provided for or paid during the half year	<u>2,532</u>	<u>-</u>

STRIKE OIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 7 - Contributed Equity

	Dec 2004 Shares	Jun 2004 Shares	Dec 2004 \$	Jun 2004 \$
(a) Share Capital				
Ordinary Fully Paid Shares	143,294,729	77,477,732	18,963,404	7,338,286
Preference Shares	-	4,888,889	-	146,667
	143,294,729	82,366,621	18,963,404	7,484,953

	Date	Number of Shares	Issue Price ¢	Total \$
(b) Movements –				
Ordinary Fully Paid Shares				
Balance at start of year	30/06/04	77,477,732	-	7,338,286
Float	05/08/04	60,000,000	20	12,000,000
Conversion of				
Preference Shares	05/08/04	4,888,889	-	146,667
Less IPO costs	05/08/04	-	-	(588,667)
Exercise of Options	October 04	341,858	-	37,406
Exercise of Options	November 04	586,250	-	29,712
Balance at end of period	31/12/04	143,294,729		18,963,404
Preference Shares				
Balance at start of year	30/06/04	4,888,889	-	146,667
Conversion to ordinary share capital	05/08/04	(4,888,889)	-	(146,667)
Total issued capital at end of period		143,294,729	-	18,963,404

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

DATED at Perth this 24th day of February 2005.

A handwritten signature in black ink, appearing to read 'Simon Ashton', with a wavy underline.

SIMON ASHTON
Managing Director
Strike Oil Limited

Independent review report to the members of Strike Oil Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Strike Oil Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Strike Oil Limited as at 31 December 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Strike Oil Limited, for the half-year ended 31 December 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

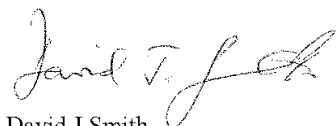
Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



David J Smith
Partner

Perth
24 February 2005