



ABN 59 078 012 745

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2008

HIGHLIGHTS FOR THE QUARTER

Financial

- gas and oil-condensate revenue of A\$12 million – up 35% on the previous quarter.
- Strong cash flows maintained.

Production

- gas production of 719 mmcf – up 34 % on the previous quarter
- oil-condensate production of 17,410 barrels – up 30% on the previous quarter

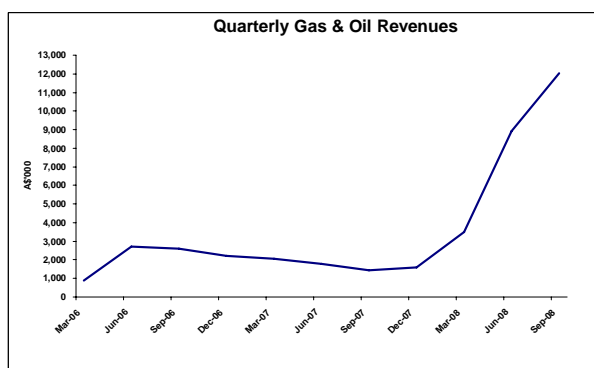
Development

- Gilbert Freeman 2 well commenced production at impressive daily rates

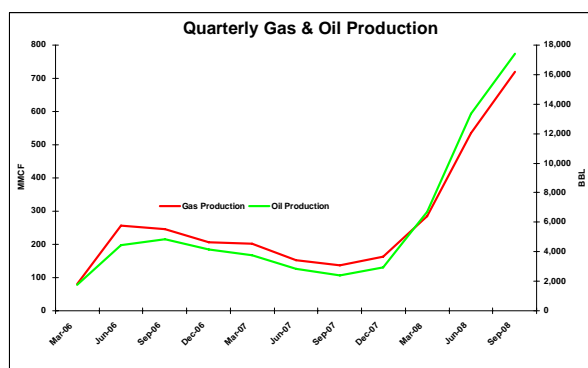
Exploration

- Extensive Gulf Coast exploration programme confirmed
- FuturGas CTL project progressed to prefeasibility

Oil & Gas Revenue by Quarter



Production Volume by Quarter



Managing Director's Report

The September 2008 quarter witnessed continued success in the Company's Gulf Coast operations at Rayburn resulting in significant growth in gas and oil-condensate production, an increase in the number of producing wells and a healthy increase in revenues of 35% over the previous quarter.

At quarter's end, production of both gas (up 34%) and oil (up 30%) were in line with forecasts as the Company's production from the Rayburn and Mesquite projects reached record daily production levels of 44 mmcf of gas and 1,169 barrels of oil-condensate. As a result the Company was able to generate revenues throughout the quarter of about \$4 million per month despite the falls in global oil and gas prices.

The successful development of the Gilbert Freeman 2 well (with initial daily production volumes of 9 mmcf of gas and 294 barrels of oil-condensate) added a fifth producing well to the successful Rayburn project and raised the total number of producing wells in both the Rayburn and Mesquite projects to nine wells delivering quality production.

During the quarter Cypress E&P, the operator of the Eaglewood joint venture, confirmed an extensive and very prospective development and exploration programme for the remainder of the 2009 financial year with at least three to four development/appraisal wells in the Rayburn field and two exploration wells targeting the 50 Bcf Flint prospect (Strike WI: 35%) and the 40 Bcf Tumbleweed prospect (Strike WI: 30%) adjacent to the Mesquite project.

In South Australia, the Company's exciting FuturGas coals-to-liquids project operated by its wholly-owned subsidiary, Hybrid Energy Australia Pty Ltd, and targeting daily production of 10 thousand barrels of liquid fuels, was progressed to prefeasibility stage (PFS).

The PFS is expected to confirm the project's bankable feasibility profile in the first quarter next year.

The Company is taking steps through the internationally renowned investment bankers RBC Capital Markets to attract a suitable cornerstone investor to develop and progress the project through the bankable feasibility stage.

In August the Company strengthened the board with the appointment of Mr Tim Clifton as a non executive director.

Outlook

Despite the difficult economic times, the Company finds itself in a strong position with a clear and positive strategy for the development of both its US and Australian interests.

In the US during the next nine months an extensive development programme underpinned by strong cash flows and the USD debt facility is planned in the successful Rayburn project to add further to the Company's existing quality production.

In addition there is a prospective exploration programme targeting two substantial prospects at Flint (50 Bcf) where the Company holds a 35% working interest and at Tumbleweed (40 Bcf) where Strike holds a 30% working interest.

Success during this period will position the Company as a significant oil and gas player in the US and Australian markets.

In Australia the Company plans to progress its FuturGas CTL project to bankable feasibility stage and will continue its efforts to develop its Carnarvon and Cooper Basin interests in both conventional and non conventional oil and gas prospects.

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

Simon Ashton
Managing Director

SIGNIFICANT PROJECT ACTIVITIES

PRODUCTION

The September 2008 quarterly production, with a comparative to the June 2008 quarter, is tabled below.

| | Joint Venture | | Strike Oil WI | | |
|------------|---------------|--------|---------------|--------|--------|
| | Sept 08 | Jun 08 | Sept 08 | Jun 08 | Change |
| Gas (mmcf) | 3,598 | 2,318 | 719 | 535 | 34% |
| Oil (bbl) | 88,462 | 58,141 | 17,410 | 13,341 | 30% |

Gulf Coast Projects, Texas

Activities during the quarter continued to be focused on drilling, testing and producing wells which will have an immediate positive effect on cash flow.

During the quarter the Gilbert Freeman 2 well was brought into production, flow testing of the Gilbert Freeman 3 commenced, the Hlavinka Gas Unit 1-1 well was suspended for later flow testing and the Duncan 4 well was drilled and reached total depth subsequent to the quarter's end. Currently, Duncan 4 has been plugged with the upper section of the well suspended pending planned testing.

| Well | Status | Initial Daily Production Rates | |
|-----------------------|---------------------------------------|--------------------------------|------------|
| | | Gas (mmcf) | Oil (bbls) |
| Duncan 1 | Producing | 10.1 | 260 |
| Duncan 2 | Producing | 10.0 | 224 |
| Duncan 3 | Producing | 10.0 | 234 |
| Duncan 4 ¹ | Wilcox P&A, suspended | - | - |
| Hlavinka Duncan 1 | Nominal production from shallow zones | - | - |
| Gilbert Freeman 1 | Producing | 3.8 | 126 |
| Gilbert Freeman 2 | Producing | 9.0 | 245 |
| Gilbert Freeman 3 | Testing | - | - |
| Hlavinka Gas Unit 1-1 | Suspended for later testing | - | - |

¹ Well drilling at 30 September 2008

The initial daily production flow from the Gilbert Freeman 2 well was another outstanding result at 9 million cubic feet of gas and 245 barrels of oil-condensate per day. The gross production from the Rayburn and Mesquite projects at 30 September 2008 was 44.3 million cubic feet of gas per day and 1,169 barrels of condensate per day.

At quarter's end, the Company's net production from its Gulf Coast projects increased to 10.2 million cubic feet of gas and 268 barrels of oil-condensate per day.

One more appraisal/development well, Duncan Ansley Gas Unit 1-1, was spudded in the Rayburn project subsequent to the end of the quarter.

After the drilling of the Duncan Ansley Gas Unit 1-1 well, the rig is scheduled to drill two exploration wells during the second and third quarters before returning to drill further appraisal/development wells on the Rayburn field.

PRODUCTION REVENUE

The September 2008 quarterly revenue, with a comparative to the June 2008 quarter, is tabled below.

| \$'000 | Joint Venture | | Strike Oil WI | | |
|--------------|---------------|---------------|---------------|--------------|------------|
| | Sept 08 | Jun 08 | Sept 08 | Jun 08 | Change |
| Gas | 40,419 | 30,920 | 9,239 | 7,138 | 29% |
| Oil | 12,147 | 7,718 | 2,774 | 1,771 | 57% |
| Total | 52,566 | 38,638 | 12,013 | 8,909 | 35% |

The Company's working interest revenue from gas and oil condensate sales for the quarter was \$12.0 million. This represents an increase of 35% on the previous quarter. The result reflects the substantial impact of bringing the additional wells into production at the Rayburn project.

RESERVES

A reserve report for the Gulf Coast assets commenced during the quarter. The results of the report are due to be released early in the next quarter.

EXPLORATION ACTIVITIES

USA

Gulf Coast Projects, Texas

No exploration drilling was undertaken during the quarter. All drilling activities continued to concentrate on appraisal and development of the Rayburn prospect. Exploration drilling is scheduled to recommence during the latter part of the second quarter with two wells.

The first exploration well is likely to be on the Tumbleweed prospect, adjacent to Strike Oil's Mesquite project, in Jackson County. The prospective resource for this prospect is 40 billion cubic feet. Strike Oil has a 30% working interest in the prospect.

