



Strike Oil Limited

ACN 078 012 745

Report for the half-year ended 31 December 2006

Directors' report

The directors of Strike Oil Limited submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:
The names of the directors of the company during or since the end of the half-year are:

Name

Mr J W Schneider
Mr S M Ashton
Mr J M Durrant
Mr D C Wrench
Mr R Woodall
Mr P L Gunzburg

The above named directors held office during and since the end of the half-year except for:

- Mr R Woodall – resigned 29 November 2006
- Mr P L Gunzburg – appointed 20 October 2006

Review of Operations

Highlights

- Production revenues totalled \$4.825 million, up 77% on the previous six month period.
- After tax profit of \$1.011 million.
- Cash flows from operating activities generated \$2.87 million.
- Gas production of 458 million cu ft and oil production of 8,974 barrels represented increases of 37% and 39% respectively, over for the previous six month period.
- First two wells drilled at Tow Creek/Bear River, Colorado encountered oil shows and are being evaluated further.
- Further land and seismic data was acquired in the USA.
- Subsequent to period end, \$4.918 million non-renounceable entitlement issue closed fully subscribed.

Production Activities

USA

Mesquite Production Project, Gulf Coast, Texas

Gross production from Strike Oil's leases at December 2006 was approximately 10 million cu ft of gas and 180 barrels of oil condensate per day.

Current production was from four existing wells in the Wilcox formation, below 11,000 feet (3,353 metres). Further development drilling, new completions and workovers will be carried out in this interval when commercially justified. No significant field operations are planned in the next six months and production rates are expected to experience some natural decline over this period.

Subsequent to December 2006, the Webernich 5 well was drilled to test incremental production potential of sands several thousand feet above the Wilcox formation. A gas zone in the Frio formation was completed and tested at about 200,000 cu ft per day. This was in line with expectations.

Production and revenues increased significantly over the previous six month period, with oil and gas production up 39% and 37% respectively. Gross revenues increased by \$2.1 million, or 77%.

A gas and oil condensate production and revenue comparison are tabled below. The majority of production was from the Mesquite project, with less than 3% derived from production associated with leases acquired as part of a land acquisition in July 2006.

Strike Oil's working interest ("WI") in the Mesquite project is 26.25% and its net revenue interest ("NRI") is approximately 20%. NRI represents the company's interest net of royalties.

	Jul-Dec 2006	Jan-Jun 2006
Production (Strike Oil WI)		
Gas (Million cu ft)	458	333
Oil (Bbls)	8,974	6,441
Revenue (\$'000) (Strike Oil WI)		
Gas	4,077	2,295
Oil	748	425
Total	4,825	2,720

Exploration Activities

USA

Gulf Coast, Texas

Strike Oil continued to expand its involvement in the Gulf Coast program with further prospect generation and leasing progressing. At this stage the company has an interest in approximately 20,000 gross acres (8,094 hectares) in the onshore Gulf Coast. Joint venture operator, Cypress E & P Corporation, Inc., is at an advanced leasing stage on many of these prospects of which the larger ones are in the 200 to 500 billion cu ft of gas potential.

McGall 1 well, the first exploration well on the Flint prospect, commenced drilling on 28 January 2007. The prospect has a potential resource size in the order of 200 billion cu ft of gas. The well was drilling ahead at about 13,400 feet (4,084 metres) at the date of this report. Once complete, it is planned drilling will commence at the Rayburn prospect, a prospective resource size of approximately 500 billion cu ft. A further prospect, Rodeo, has been documented and is scheduled to be drilled later in 2007. Rodeo has a prospective resource size of approximately 200 billion cu ft of gas.

Many of the new prospects are of a similar nature to the Mesquite discovery and provide the opportunity to build directly on the successful exploration techniques already applied. While this region is one of the most highly explored and prolific producing areas of the USA, it still retains exceptional large scale opportunities at greater depths where less drilling has taken place. In recent years the industry has consistently made discoveries in the 100 billion cu ft or greater range in this trend due to advances in 3D seismic and drilling technologies. It is Strike Oil's intention to broaden the area of investigation along trend with the operator and has committed to licensing further 3D seismic to maintain a steady flow of quality prospects.

Rocky Mountains, Colorado

Strike Oil, through the operator Comet Ridge Limited, commenced drilling in November of the first of three wells on the Bear River and Tow Creek project areas in Colorado. Strike Oil has a 37.5% WI in Tow Creek and a 33.75% WI in Bear River.

The first of these "proof of concept" wells, Coal View Unit 31-4, drilled to a total depth of 6,600 feet (2,012 metres). It intersected 245 feet (75 metres) of oil and gas shows in the main objective which was interpreted to be moderately to intensely fractured. The well has potential in its own right for up to 500,000 barrels of oil. The rig that drilled the well moved off location and a workover rig was set up to test the well. During the testing operation, the drill pipe became stuck in the well. Several attempts were made to free the pipe but were unsuccessful. It is now planned that a further drilling rig will be brought in during the summer months to sidetrack in the well and complete the testing.

The second well, Peltier 11-12, commenced drilling 12 January 2007. This well is located on the Bear River prospect and was also targeting up to 500,000 barrels of oil in its own right. The well reached a total depth of 6,700 feet (2,042 metres) on 31 January 2007, and was interpreted to have intersected a fractured reservoir over a 700 feet (213 metres) thick interval. Production casing has been set and testing is underway.

The third proposal well will be drilled during the summer months to minimise the impact of adverse weather conditions.

To date, the first two wells drilled have incurred the order of \$1.3 million of cost overruns to Strike Oil. These overruns are due to harsh weather conditions, difficult access, rig equipment failure and extended efforts to recovering stuck drill pipe in the Coal View Unit 31-4 well.

The company's leasehold position is now around 15,000 gross acres (6,070 hectares) in the Tow Creek/Bear River region.

Strike Oil exercised its option to acquire a 26% working interest in 4,678 acres (1,893 hectares) of land over the Florence prospect which lies over part of the Florence oilfield, in Colorado. A further 1,591 acres (644 hectares) was leased subsequent to the inaugural acquisition. The Florence oilfield has produced over 15 million barrels of oil, since 1859. This opportunity is similar in nature to the Tow Creek/Bear River projects where the operator, Comet Ridge Limited, proposes to utilise directional wells to extract further oil reserves from the old oilfields. A 3D seismic program is planned over the extended area prior to any drilling.

Australia

Carnarvon Basin

Mapping of the seismic data acquired in late 2005 continued and several prospects are being matured for future drilling. This process has enabled the company to high grade its exploration focus and rationalise some of its interests. In this regard the company intends to withdraw from permits TP/17, TP/18 and WA-340-P.

Efforts are being made to secure suitable drilling rig facilities to operate in the shallow water permits and to drill the wells at acceptable costs. An application for environmental approval to drill the first of these wells is in progress.

Materials are being prepared to help facilitate the farming out of selected prospects. Strike Oil has high equities and is operator of most of these prospects.

Cooper – Eromanga Basins

In permit ATP 633P, processing of the Gidgee 3D and Gukithi 2D seismic surveys has been completed and interpretation is in progress. The permit is operated by Beach Petroleum Ltd.

Following interpretation of the seismic, it is anticipated that at least one well will be drilled to follow up on the Gidgee 1 well which flowed over 1,000 barrels of oil per day in 1989. A further well is planned to be drilled on one of the larger targets, from a portfolio of oil prospects, which have potentials in the range 0.5 to 10 million barrels of recoverable oil. This drilling is currently anticipated to commence at the end of the third quarter of 2007. Strike Oil has an option to take up to 15% interest in the permit.

In permits PELA 71 and PELA 96, located in South Australia, work is still progressing to finalise Native Title agreements.

Kingston Energy

Strike Oil's wholly owned subsidiary Kingston Energy Pty Ltd continued to evaluate the potential of the significant energy resource associated with the Kingston coal deposit in South Australia. Various options to utilise this deposit in a commercially and environmentally acceptable manner including gasification of the coal are under evaluation. Consideration will be given to initiating a pre-feasibility study upon the identification of the most favourable option.

Personnel

During the period the company appointed Mr Peter Gunzburg to its board of directors. Mr Gunzburg brings 22 years' resource experience to Strike Oil, with various senior executive roles with the Australian Stock Exchange (ASX), Eyres Reed Limited and other public resource companies.

In November, Mr Roy Woodall AO resigned as a director after nine years of service to the company. Mr Woodall made a significant contribution to the development of the company as a founding director and investor.

Health, safety and environment

The company registered no safety or environmental incidents during the period.

Corporate

In December 2006, Strike Oil exercised its entitlement to 2,500,000 Comet Ridge Limited shares at a cost of \$675,000 to maintain its position in the company. Strike Oil now owns 8,750,000 shares in Comet Ridge Limited representing 8.8% of the issued capital.

In December the company announced a non-renounceable entitlements issue to issue up to 22,353,673 shares at 22 cents, to raise \$4,917,808. The issue closed on the 12 January 2007 fully subscribed.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors



S M Ashton
Managing Director

Perth, 16 March 2007

The Directors
Strike Oil Limited
Level 9, Wesfarmers House
40 The Esplanade
PERTH WA 6000

16 March 2007

Dear Sirs

Strike Oil Limited

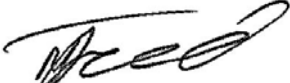
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Strike Oil Limited.

As lead audit partner for the review of the financial statements of Strike Oil Limited for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU


Ross Ferrard
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of Strike Oil Ltd

We have reviewed the accompanying half-year financial report of Strike Oil Ltd, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Strike Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Strike Oil Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants
Perth, 16 March 2007

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'S M Ashton', with a wavy tail.

S M Ashton
Managing Director

Perth, 16 March 2007

Condensed consolidated income statement for the half-year ended 31 December 2006

	Consolidated	
	Half-year ended 31 Dec 2006 \$	Half-year ended 31 Dec 2005 \$
Revenue from sale of oil and gas	4,825,224	-
Cost of sales	(1,634,783)	-
Gross profit	3,190,441	-
Other revenue	769,950	776,310
Other income	200	-
Corporate costs	(213,713)	(186,657)
Depreciation and amortisation	(870,930)	(39,046)
Employee benefits	(999,512)	(728,013)
Exploration expenditure written off	(407,079)	(754,478)
Property costs	(113,820)	(48,041)
Technology costs	(75,535)	(56,877)
Other expenses	(269,014)	(224,338)
Profit/(loss) before tax	1,010,988	(1,261,140)
Income tax expense	-	-
Profit/(loss) for the period	1,010,988	(1,261,140)
Attributable to equity holders of the parent	1,010,988	(1,261,140)
Earnings per share		
Basic – earnings/(loss) (cents per share)	0.45	(0.76)
Diluted – earnings/(loss) (cents per share)	0.42	(0.76)

Notes to the financial statements are included on pages 13 to 14.

Condensed consolidated balance sheet as at 31 December 2006

	Consolidated	
	31 December 2006	30 June 2006
	\$	\$
Current assets		
Cash and cash equivalents	4,779,935	8,093,598
Trade and other receivables	1,358,441	1,885,035
Inventories	2,374	2,374
Other	44,766	174,182
Total current assets	6,185,516	10,155,189
Non-current assets		
Exploration and evaluation	20,908,513	17,408,680
Other financial assets	2,843,750	2,031,250
Property, plant and equipment	402,770	323,630
Other	102,500	100,000
Total non-current assets	24,257,533	19,863,560
Total assets	30,443,049	30,018,749
Current liabilities		
Trade and other payables	1,202,514	1,136,147
Provisions	84,114	78,880
Total current liabilities	1,286,628	1,215,027
Non-current liabilities		
Deferred tax liabilities	275,625	234,375
Provisions	120,167	112,957
Total non-current liabilities	395,792	347,332
Total liabilities	1,682,420	1,562,359
Net assets	28,760,629	28,456,390
Equity		
Issued capital	35,338,410	35,340,420
Reserves	703,396	1,408,135
Accumulated losses	(7,281,177)	(8,292,165)
Total equity	28,760,629	28,456,390

Notes to the financial statements are included on pages 13 to 14.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2006

	Share capital \$	Asset revaluation reserve \$	Investments revaluation reserve \$	Equity-settled employee benefits reserve \$	Foreign currency translation reserve \$	Accumulated losses	Total \$
Balance at 1 July 2005	18,969,405	-	(393,750)	765,928	-	(7,451,874)	11,889,709
Prior period adjustment: Share-based payments	-	-	-	40,862	-	(40,862)	-
As restated	18,969,405	-	(393,750)	806,790	-	(7,492,736)	11,889,709
Gain on available-for-sale investments	-	-	625,000	-	-	-	625,000
Related income tax	-	-	(187,500)	-	-	-	(187,500)
Net income recognized directly in equity	-	-	43,750	-	-	-	43,750
Loss for the period	-	-	-	-	-	(1,261,140)	(1,261,140)
Total recognised income and expense	-	-	-	-	-	(1,261,140)	(1,261,140)
Recognition of share-based payments	-	-	-	99,755	-	-	99,755
Shares issued during the period	2,207,843	-	-	-	-	-	2,207,843
Share issue costs	(22)	-	-	-	-	-	(22)
Balance at 31 December 2005	21,177,226	-	43,750	906,545	-	(8,753,876)	13,373,645
Balance at 1 July 2006, as restated	35,340,420	-	546,875	951,818	(90,558)	(8,292,165)	28,456,390
Gain on available-for-sale investments	-	-	137,500	-	-	-	137,500
Gain on revaluation of property, plant & equipment	-	82,405	-	-	-	-	82,405
Exchange differences arising on translation of foreign operations	-	-	-	-	(918,280)	-	(918,280)
Related income tax	-	-	(41,250)	-	-	-	(41,250)
Net income recognised directly in equity	-	82,405	96,250	-	(918,280)	-	(739,625)
Profit for the period	-	-	-	-	-	1,010,988	1,010,988
Total recognised income and expense	-	-	-	-	-	1,010,988	1,010,988
Recognition of share-based payments	-	-	-	34,886	-	-	34,886
Share issue costs	(2,010)	-	-	-	-	-	(2,010)
Balance at 31 December 2006	35,338,410	82,405	643,125	986,704	(1,008,838)	(7,281,177)	28,760,629

Notes to the financial statements are included on pages 13 to 14.

Condensed consolidated cash flow statement for the half-year ended 31 December 2006

	Consolidated	
	Half-year ended 31 Dec 2006 \$	Half-year ended 31 Dec 2005 \$
Cash flows from operating activities		
Receipts from customers	4,912,746	-
Payments to suppliers and employees	(2,987,155)	(978,072)
Joint venture recoveries	942,758	384,164
Net cash provided by operating activities	2,868,349	(593,908)
Cash flows from investing activities		
Exploration and evaluation expenditure	(5,543,017)	(4,417,186)
Interest received	192,132	162,138
Payment for property, plant and equipment	(56,529)	(20,417)
Payment for other financial assets	(675,000)	-
Payment for other non-current assets	(2,500)	-
Net cash used in by investing activities	(6,084,914)	(4,275,465)
Cash flows from financing activities		
Proceeds from issue of equity securities	-	2,207,821
Payment for share issue costs	(2,010)	-
Net cash used in financing activities	(2,010)	2,207,821
Net (decrease) in cash and cash equivalents	(3,218,575)	(2,661,552)
Cash and cash equivalents at the beginning of the period	8,093,598	7,218,418
Effects of exchange rate changes on the balance of cash held in foreign currencies	(95,088)	-
Cash and cash equivalents at the end of the period	4,779,935	4,556,866

Notes to the financial statements are included on pages 13 to 14.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006, other than as detailed below.

Adoption of new and revised Accounting Standards

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the group's accounting policies for the current or prior years.

Change in accounting policy

During the period, the group changed its accounting policy on its property, plant and equipment assets from a cost basis to fair value. Fair value is determined based on an independent valuation prepared by external valuation experts. The fair values are recognised in the group's financial statements, and are reviewed at the end of each reporting period to ensure that the carrying value is not materially different from their fair values.

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset class previously recognised as an expense in profit or loss. In that case, the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of property, plant and equipment is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset class.

Depreciation on revalued property, plant and equipment is charged to profit and loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

- Plant and equipment 3 – 10 years
- Furniture and fittings 5 – 15 years
- Computer equipment 2 – 15 years
- Leasehold improvements 2 – 5 years

Mr Keith Haslam of Australian Valuation Partners, performed an independent valuation of the group's property, plant and equipment to determine the fair value of the assets. The valuation was performed in accordance with the professional practice standards and guidance notes of the Australian Property Institute, Inc. The effective date of the valuation is 1 July 2006.

Prior period adjustment

An adjustment to the group's equity-settled employee benefits reserve was required following the identification of an understatement in the balance of the account. At 30 June 2006, the total value of the adjustment is \$82,535.

The adjustment has the following effect on the group's balance sheet:

- An increase in the reserves line of the equity section;
- An increase in the accumulated losses line of the equity section.

The effect of the adjustment on the group's prior EPS calculation is as follows:

- For the half-year ended 31 December 2005, to decrease the EPS from (0.74) cents per share to (0.76) cents per share;
- For the year ended 30 June 2006, to decrease the EPS from (0.13) cents per share to (0.15) cents per share.

2. Segment information

The following is an analysis of the revenue and results for the period, analysed by geographical location, the group's primary basis of segmentation.

	Segment revenue		Segment result	
	Half-year ended		Half-year ended	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	\$	\$	\$	\$
Australia	1,084,699	614,172	(989,905)	(897,985)
USA	4,852,016	-	2,004,142	(363,155)
	5,936,715	614,172	1,014,247	(1,261,140)
Eliminations	(341,341)	-	(3,259)	-
Unallocated	-	162,138	-	-
Consolidated revenue	5,595,374	776,310		
Profit before income tax expense			1,010,988	(1,261,140)
Income tax expense			-	-
Profit/(loss) for the period			1,010,988	(1,261,140)

3. Results for the Period

Profit/(loss) for the half-year before income tax includes the following items that are unusual because of their nature, size or incidence:

Expenses

Exploration expenditure written off

Consolidated	
Half-year ended	Half-year ended
31 Dec 2006	31 Dec 2005
\$	\$
407,079	754,478

4. Contingencies and commitments

There has been no change in contingent liabilities since the last annual reporting date.

5. Subsequent events

On 13 December 2006, Strike Oil Limited announced a non-renounceable entitlements issue at 22 cents to raise \$4,917,808 before issue costs. The issue was completed on 12 January 2007. The costs associated with the capital raising amounted to \$11,575.