



Strike Oil Limited

ACN 078 012 745

Report for the half-year ended 31 December 2007

Directors' Report

The directors of Strike Oil Limited submit herewith the financial report for the half-year ended 31 December 2007.

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 P L Gunzburg

The above named directors held office during and since the end of the half-year.

Review of Operations

Highlights

- Significant revenue increases expected as the Rayburn discovery commences production in December 2007.
- Rayburn project development progressing with two additional wells drilled and cased for production testing and pipeline infrastructure under construction.
- A front end engineering design (FEED) study to investigate the feasibility of supplying gas from the Rivoli gas field to the Department of Defence was completed.
- Hybrid Energy's FuturGas project rapidly evolving.

Production Activities

USA

Rayburn Project, Gulf Coast, Texas (Strike WI: 22.8%)

In the Duncan 1 discovery well the Middle Wilcox formation interval commenced production in early December. At the end of December the well was flowing at a stabilised rate of 10 million cubic feet per day and 260 barrels of oil condensate per day. At the date of this report the well continues to flow at these rates, indicating the quality of this discovery. All test gas processed through the treatment facility was sold.

Two further wells, Duncan 2/ST and Gilbert Freeman 1, have been completed and are awaiting the installation of a pipeline and oil storage facilities before being tested. Installation of the pipeline will permit test gas to be sold. With completion expected in April 2008, these facilities will accelerate the time required for future planned development wells to be brought into production.

The fourth well in the programme, Hlavinka Duncan 1, targeting the same producing formation, was re-spudded in February after drilling of the initial well was terminated due to operational problems. The Hlavinka Duncan 1/R well is expected to reach the target in mid March 2008.

The results of the Rayburn project to date have been very encouraging and will have a substantial impact on Strike Oil's reserves, production and cash flows. The company is expecting revenues to be in the order of \$2 million per month by July 2008.

Mesquite Project, Gulf Coast, Texas (Strike WI: 26.25%)

Production from the four wells on the Mesquite field continued to decrease due to natural depletion. Gross production at the end of December was approximately four million cubic feet per day and 60 barrels of oil condensate per day.

Directors' Report (Cont.)

Production Summary – Gulf Coast, Texas

Although production has declined since 31 December 2006, the discovery at Rayburn has improved the company's production and revenues during the half-year period to 31 December 2007. Gas production increased 20% and oil condensate 23% in the second quarter ("Q2") of financial year 2008 ("08") against Q1/08 performance.

It is anticipated a significant increase in production should be realised in the next six months due to the increasing contribution from the Rayburn gasfield, and that revenue will increase from approximately \$500 thousand per month in Q2/08 to approximately \$2 million per month by Q1/09.

Bear River Project, Colorado (Strike WI: 33.75%)

The Peltier 11-12 oil well continued to perform below expectation and has been suspended.

Exploration Activities

USA

Gulf Coast, Texas

The Duncan 1 well, the first well on the Rayburn prospect, discovered gas in a number of sands in the Middle and Lower Wilcox formations. There was no exploration drilling activity during the period due to the focus on facilities installation and development drilling in the Rayburn prospect. Further exploration wells are planned for early 09.

The generation of new prospects, following up on the Rayburn success, along the Wilcox trend was progressed during the period. Leasing on these prospects is underway. Strike has a 25% working interest ("WI") in these new prospects.

Rocky Mountains, Colorado

Tow Creek and Bear River, Routt County

Drilling of the CVU 31-4 sidetrack hole was temporarily abandoned in September due to part of the drill string becoming irretrievably stuck in the well bore above the primary objective of the well, following mechanical problems with the drilling rig. Strong oil and gas shows, recorded over fractured intervals within the Niobrara formation in both the original well bore and the sidetrack hole, remain untested.

The operator, Comet Ridge, is planning to farm out the Tow Creek and Bear River projects on the joint venture's behalf, as part of a larger Rocky Mountains package.

Florence, Fremont County

Acquisition of the 16 square kilometre Florence 3D seismic survey was completed at the beginning of the period and under budget. The data is of high quality and has led to the mapping of numerous drilling locations, to test as many as six different geological concepts including the proven field pays in the Pierre formation, the Niobrara formation and a number of other horizons that lie deeper in the section.

The operator, Comet Ridge, is expected to propose up to three exploration wells for drilling before the end of the financial year.

Directors' Report (Cont.)

Australia

Carnarvon Basin

A front end engineering design (FEED) study, to investigate the feasibility of supplying gas from the Rivoli gas field located seven kilometres southeast of the town of Exmouth in exploration permit EP 325 (Strike WI: 44.5%), to fuel power generation for the Department of Defence's communications station located north of the town, was completed during the term. A draft report was submitted in October with the final report and proposal submitted subsequent to 31 December 2007. If approved for development, Strike Oil will manage and operate the project, with first gas sales anticipated in Q2/09.

During the term the company was awarded a new exploration permit, EP 459, adjacent to its existing TP/6 and EP 342 exploration permits in the Barrow sub-basin. Strike has a 100% interest in each permit.

The company is assembling a number of exploration prospects and development opportunities with the intention of mobilising a cost effective drilling solution suitable for these shallow water areas.

Cooper-Eromanga Basin

Interpretation of the Gukithi 2D seismic survey data in ATP 633P (Strike WI: 15%) was completed during the term. The operator, Beach Petroleum, is proposing two wells for drilling in Q4/08.

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

Hybrid Energy Australia Pty Ltd (FuturGas Project)

In October the company announced that it had established its wholly owned subsidiary, Hybrid Energy Australia Pty Ltd ("Hybrid"), to manage the development of the large lignite deposit near Kingston, in the south-east of South Australia.

On 17 October 2007 the company announced that it has appointed Mr Barry Ford to the position of Managing Director of Hybrid. Mr Ford was previously with TRU Energy (Australia), Natural Gas Corporation (New Zealand) and TransAlta (Canada). Since then, significant progress has been made with an experienced team now having been recruited and an office established in Adelaide with active studies in progress to advance the project.

The FuturGas project, as it is to be known, has the potential to be a major South Australian project providing further security and diversity to the state's energy supply by producing base load power and petroleum liquids (post gasification of the coal) with plans to manage CO₂ emissions by a carbon sequestration project creating infrastructure development opportunities in the southeast of South Australia.

Strike Oil and Hybrid are progressing funding options for the rapid advancement of the project.

Health, safety and environment

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

Corporate

During the term the company successfully completed a pro rata 1 for 6 non-renounceable entitlements issue of 46,737,000 new fully paid ordinary shares, to raise \$10.05 million. The funds raised have and continue to finance Strike Oil's ongoing development drilling programme in the onshore Gulf Coast, Texas.

Ongoing funding for the broader Strike Oil activities is planned through existing working capital, cash flows from operations, farm-outs of selected project interests, and a proposed debt facility. The success and scale of these ongoing funding contributions should alleviate pressure for equity raising in the short term.

Directors' Report (Cont.)

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

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

S M Ashton
Managing Director

Perth, Western Australia
12 March 2008

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX 206
Tel: +61 (0) 2 9365 7000
Fax: +61 (0) 2 9365 7001
www.deloitte.com.au

The Board of Directors
Strike Oil Limited
Level 9, 40 The Esplanade
PERTH WA 6000

12 March 2008

Dear Board Members

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 consolidated financial statements of Strike Oil Limited for the half-year ended 31 December 2007, 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



R Jerrard
Partner
Chartered Accountants

