



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

**Auditor’s independence declaration
to the members of Strike Oil Limited**

**Independent audit report / review report
to the members of Strike Oil Limited**

**Independent audit report / review report
to the members of Strike Oil Limited**

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 line extending from the end.

S M Ashton
Managing Director

Perth, Western Australia
12 March 2008

Condensed consolidated income statement for the half-year ended 31 December 2007

	Note	Consolidated	
		Half-year ended 31 Dec 2007	Half-year ended 31 Dec 2006
		\$	\$
Revenue	4(a)	3,767,592	5,595,293
Other income	4(b)	189,292	80
Production expense	4(c)	(1,018,094)	(1,634,783)
Corporate expense		(330,904)	(213,713)
Amortisation and depreciation	4(d)	(1,113,260)	(870,930)
Employment benefits expense		(1,607,491)	(999,512)
Exploration and evaluation expenditure written off	4(e)	(254,218)	(407,079)
Property expense		(112,622)	(113,820)
Impairment of other financial assets		(218,750)	-
Other expenses		(351,485)	(344,548)
(LOSS) / PROFIT BEFORE INCOME TAX		(1,049,940)	1,010,988
Income tax expense		-	-
(LOSS) / PROFIT FOR THE PERIOD		(1,049,940)	1,010,988
Earnings per share attributed to ordinary equity holders			
- Basic (cents per share)		(0.70)	0.45
- Diluted (cents per share)		(0.70)	0.42

Notes to the financial statements are included on pages 13 to 16.

Condensed consolidated balance sheet as at 31 December 2007

	Consolidated	
	31 December 2007	30 June 2007
Note	\$	\$
Current assets		
Cash and cash equivalents	6,964,661	5,859,353
Trade and other receivables	1,097,745	985,151
Inventories	2,832	2,304
Other financial assets	7,201,673	2,637,817
Total current assets	15,266,911	9,484,625
Non-current assets		
Exploration and evaluation expenditure	5 23,712,523	20,524,909
Property, plant and equipment	356,457	376,696
Other financial assets	1,706,250	2,187,500
Other	102,500	102,500
Total non-current assets	25,877,730	23,191,605
Total assets	41,144,641	32,676,230
Current liabilities		
Trade and other payables	1,678,608	1,625,996
Provisions	188,056	92,739
Total current liabilities	1,866,664	1,718,735
Non-current liabilities		
Deferred tax liabilities	24,721	103,471
Provisions	262,061	236,561
Total non-current liabilities	286,782	340,032
Total liabilities	2,153,446	2,058,767
Net assets	38,991,195	30,617,463
Equity		
Issued capital	58,634,677	48,579,141
Reserves	(1,363,887)	(732,023)
Accumulated losses	(18,279,595)	(17,229,655)
Total equity	38,991,195	30,617,463

Notes to the financial statements are included on pages 13 to 16.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2007

	Issued Capital	Available for sale reserve	Share-based payments reserve	Foreign exchange translation reserve	Asset revaluation reserve	Total Reserves	Retained profit/ (accumulated losses)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2006	35,340,420	546,875	951,818	(90,558)	-	1,408,135	(8,292,165)	28,456,390
Revaluation of available for sale assets	-	137,500	-	-	-	137,500	-	137,500
Deferred tax on above	-	(41,250)	-	-	-	(41,250)	-	(41,250)
Currency translation on foreign controlled entities	-	-	-	(918,280)	-	(918,280)	-	(918,280)
Fixed assets revaluation	-	-	-	-	82,405	82,405	-	82,405
Net income recognised directly in equity	-	96,250	-	(918,280)	82,405	(739,625)	-	(739,625)
Profit/(loss) for the period	-	-	-	-	-	-	1,010,988	1,010,988
Total recognised income and expense	-	96,250	-	(918,280)	82,405	(739,625)	1,010,988	271,363
Recognition of share-based payments	-	-	34,886	-	-	34,886	-	34,886
Costs associated with share issue	(2,010)	-	-	-	-	-	-	(2,010)
Balance at 31 December 2006	35,338,410	643,125	986,704	(1,008,838)	82,405	703,396	(7,281,177)	28,760,629
Balance at 1 July 2007	48,579,141	183,750	1,026,161	(1,999,617)	57,683	(732,023)	(17,229,655)	30,617,463
Revaluation of available for sale assets	-	(262,500)	-	-	-	(262,500)	-	(262,500)
Deferred tax on above	-	78,750	-	-	-	78,750	-	78,750
Currency translation on foreign controlled entities	-	-	-	(532,166)	-	(532,166)	-	(532,166)
Net income recognised directly in equity	-	(183,750)	-	(532,166)	-	(715,916)	-	(715,916)
Profit/(loss) for the period	-	-	-	-	-	-	(1,049,940)	(1,049,940)
Total recognised income and expense	-	(183,750)	-	(532,166)	-	(715,916)	(1,049,940)	(1,765,856)
Recognition of share-based payments	-	-	84,052	-	-	84,052	-	84,052
Share issued during the period	10,100,662	-	-	-	-	-	-	10,100,662
Cost associated with share issue	(45,126)	-	-	-	-	-	-	(45,126)
Balance at 31 December 2007	58,634,677	-	1,110,213	(2,531,783)	57,683	(1,363,887)	(18,279,595)	38,991,195

Notes to the financial statements are included on pages 13 to 16.

Condensed consolidated cash flow statement for the half-year ended 31 December 2007

	Consolidated	
	Half-year ended 31 Dec 2007 \$	Half-year ended 31 Dec 2006 \$
Cash flows from operating activities		
Receipts from customers	2,950,125	4,912,746
Payments to suppliers and employees	(2,419,096)	(2,987,155)
Joint venture recoveries	611,654	942,758
Net cash provided by operating activities	1,142,683	2,868,349
Cash flows from investing activities		
Exploration and evaluation expenditure	(5,552,061)	(1,804,669)
Payment for advances	(4,610,528)	(3,738,348)
Interest received	202,650	192,132
Payment for property, plant and equipment	(38,588)	(56,529)
Payment for other financial assets	(68,021)	(675,000)
Payment for other non-current assets	-	(2,500)
Net cash used in by investing activities	(10,066,548)	(6,084,914)
Cash flows from financing activities		
Proceeds from issue of equity securities	10,100,662	-
Payment for share issue costs	(45,126)	(2,010)
Net cash provided by/(used in) financing activities	10,055,536	(2,010)
Net increase/(decrease) in cash and cash equivalents	1,131,671	(3,218,575)
Cash and cash equivalents at the beginning of the period	5,859,353	8,093,598
Effects of exchange rate changes on the balance of cash held in foreign currencies	(26,363)	(95,088)
Cash and cash equivalents at the end of the period	6,964,661	4,779,935

Notes to the financial statements are included on pages 13 to 16.

Notes to the condensed consolidated financial statements

1. Corporate Information

The financial report of Strike Oil Limited (the company) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of directors dated 12 March 2008.

Strike Oil Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on Australian Securities Exchange, with additional listings on the Frankfurt, Berlin and Munich stock exchanges in Germany.

The nature of the operations and principal activities of the group are described in the Directors' Report, on pages 13 to 16.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The half-year financial report has been prepared in accordance with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS), the Corporations Act 2001 and other mandatory professional reporting requirements.

Applicable accounting standards include AASB 134: *Interim Financial Reporting*.

This half-year 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 2007 and any public announcements made by Strike Oil Limited during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated.

(b) Changes in Accounting Policy

Since 1 July 2007 the group has adopted the following Accounting Standards and Interpretations, mandatory for annual reporting periods beginning on or after 1 July 2007. Adoption of these Accounting Standards and Interpretations did not have any effect on the financial position or performance of the group:

- AASB 7: *Financial Instruments: Disclosures*;
- AASB 2005-10: *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1028 and 1038)*;
- AASB 2007-1: *Amendments to Australian Accounting Standards arising from AASB Interpretation 11*;
- AASB 2007-4: *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 134, 136, 137, 138, 139, 141, 1023 & 1038)*;
- AASB 2007-7: *Amendments to Australian Accounting Standards (AASB 1, AASB 2, AASB 4, AASB, 5, AASB 107 & AASB 128)*;
- Interpretation 8: *Scope of AASB 2: Share Based Payment*;
- Interpretation 9: *Reassessment of Embedded Derivatives*;
- Interpretation 10: *Interim Financial Reporting Impairment*; and
- Interpretation 11: *Group and Treasury Share Transactions*.

3. Segment information

The group's primary segment reporting format is geographical segments as the group's risks and rates of return are affected predominately in the particular economic environments in which it operates. Secondary segment information is reported by business segments.

Geographical segments – Primary reporting

The group operates in Australia and the United States of America (USA). The principal activity in these locations is the exploration, development and production of oil and gas projects.

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 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
	\$	\$	\$	\$
Australia	1,727,123	1,084,699	(973,053)	(989,905)
USA	2,869,489	4,852,015	(68,439)	2,004,152
	4,596,612	5,936,714	(1,041,492)	1,014,247
Eliminations	(639,728)	(341,341)	(8,448)	(3,259)
Unallocated	-	-	-	-
Consolidated revenue	3,956,884	5,595,373		
(Loss)/profit before income tax expense			(1,049,940)	1,010,988
Income tax expense			-	-
(Loss)/profit for the period			(1,049,940)	1,010,988

4. Revenues and Expenses

	Consolidated	
	Half-year ended	
	31 Dec 2007	31 Dec 2006
	\$	\$
(a) Revenue		
Oil and gas sales	2,847,133	4,825,224
Interest income from non-related parties	202,650	191,785
Cost recoveries	717,809	578,284
	3,767,592	5,595,293
(b) Other Income		
(Loss)/profit on disposal of property, plant and equipment	(1,197)	200
Foreign exchange (losses)	(2,191)	(120)
Miscellaneous gains ⁽¹⁾	192,680	-
	189,292	80
(c) Production expense		
Production costs	446,274	208,137
Royalties	571,820	1,426,646
	1,018,094	1,634,783

⁽¹⁾ Includes a reimbursement of approved research and development expenditure incurred of \$188,975, from the Australian Taxation Office.

4. Revenues and Expenses (Cont.)

	Consolidated	
	Half-year ended	
	31 Dec 2007	31 Dec 2006
	\$	\$
(d) Amortisation and depreciation		
Amortisation – Mesquite production facility	882,061	786,164
Amortisation – West Bernard production facility	-	24,772
Amortisation – Rayburn production facility	176,992	-
Depreciation – property, plant and equipment	54,207	59,994
	1,113,260	870,930
(e) Exploration and evaluation expenditure written off		
Exploration and evaluation expenditure written off	254,218	407,079

5. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the consolidated expenditures on oil and gas properties by area of interest for the half-year ended 31 December 2007.

Area of Interest	Colorado, USA \$	Texas, USA \$	Carnarvon Basin, Australia \$	Cooper- Eromanga Basin, Australia \$	Other, Australia \$	TOTAL \$
Balance at 30 June 2007	2,911,362	11,831,431	4,642,217	1,077,961	61,937	20,524,909
Foreign exchange movements	(108,403)	(430,269)	-	-	-	(538,672)
Exploration & evaluation expenditure						
Administration costs	17,408	8,205	197,451	464,893	310,954	998,911
Geological & geophysical costs	208,132	9,221	214,707	38,618	223,844	694,522
Seismic costs	315	-	8,994	-	-	9,309
Land & leasing costs	193,688	140,331	-	-	-	334,019
Drilling & completion costs	970,683	248,764	166	7,182	-	1,226,795
	1,390,226	406,521	421,318	510,693	534,798	3,263,556
Development expenditure						
Administration costs	-	22,089	-	-	-	22,089
Land & leasing costs	-	(19,531)	-	-	-	(19,531)
Drilling & completion costs	-	1,773,443	-	-	-	1,773,443
	-	1,776,001	-	-	-	1,776,001
Total exploration & evaluation expenditure	1,390,226	2,182,522	421,318	510,693	534,798	5,039,557
Total exploration and evaluation expenditure written off – Note 4(e)	(632)	(209,154)	(44,432)	-	-	(254,218)
Total exploration and evaluation expenditure amortised	-	(1,059,053)	-	-	-	(1,059,053)
Balance at 31 December 2007	4,192,553	12,315,478	5,019,103	1,588,654	596,735	23,712,523

6. Contingencies and commitments

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

7. Subsequent events

Since the end of the half-year, the Directors are not aware of any other matter dealt with in this report or the financial statements that has or may significantly affect the operations of the consolidated entity, the result of these operations or the state of affairs of the consolidated entity in subsequent years.