Strike Energy Limited

ACN 078 012 745

Financial report for the half-year ended 31 December 2011

Contents

Directors' report

The directors of Strike Energy Limited ("Strike" or "Company") are pleased to submit the financial report of the Company and its subsidiaries ("Group") for the half-year ended 31 December 2011.

BOARD OF DIRECTORS

The directors of the Company during and since the end of the half-year are:

• Mr T M Clifton	Chairman	
• Mr D C Wrench	Managing Director	
• Mr B A Thomas	Executive Director	Appointed 29 September 2011
• Mr S M Ashton	Non-executive Director	
• Mr T R B Goyder	Non-executive Director	
• Mr E M Uliel	Non-executive Director	Appointed 29 September 2011

REVIEW OF OPERATIONS

The half-year was a period of significant transformation for Strike. Led by a new management team, the Company presented shareholders with a fresh strategy focused on the unconventional oil and gas sectors in Australia and the USA. Pursuant to this strategy, Strike advanced its key shale and coal seam gas projects – more than doubling its Eagle Ford Shale acreage position and preparing for its upcoming Cooper Basin evaluation drilling program.

EXPLORATION AND DEVELOPMENT

Cooper Basin, South Australia

Strike has over 16,000 net km^2 (over 4 million acres) of permits and applications on the Southern Flank of the Cooper Basin. The Company's acreage contains thick Permian sections of inter-bedded coals, shales and sands including the shallowest Permian coal formations in the Cooper Basin.

During the half-year, Strike conducted extensive geological and reservoir modelling as the first step in developing a comprehensive resource model across its key unconventional permits – PELs 96 (Strike 67%), 95 (Strike 50%) and 94 (Strike 35%). Based on this work, the Company announced a prospective resource of approximately 6 Tcf (net) and a plan to drill two unconventional evaluation wells. Marsden 1 spudded on 22 February 2012 and will log and core the coals and shales within the Battunga Trough (PEL 95) and Davenport 1 will follow immediately afterwards, testing the same Permian sections within the Milpera Trough (PEL 94).

Eagle Ford Shale, Texas

Strike has a 27.5% working interest in the Eagle Landing Joint Venture that is targeting the liquids-rich gas/condensate fairway of the Eagle Ford Shale, primarily within Fayette County, Texas. During the half-year, the Joint Venture increased its position from 12,400 acres to 31,150 acres presently – now over 8,500 acres net to Strike.

The Joint Venture has conducted an extensive evaluation of its acreage including data collection, analysis of relevant log and core data, geological and reservoir modelling and well design. On the basis of the work performed, Strike continues to be encouraged that its Eagle Ford acreage is situated within the preferred gas/condensate fairway, exhibits high reservoir pressures and has favourable rock mechanics.

The Joint Venture is now preparing for its first unconventional horizontal production well, which is planned to spud mid-2012.

Permian Basin, Texas

In November, Strike acquired a 25% working interest in the 7,500 (gross) acre MB Clearfork Project in the Permian Basin, Texas. The Project has independently estimated original-oil-in-place (OOIP) of over 2 billion barrels, primarily within the thick Lower Clearfork Shale formation. The MB Clearfork Project has conventional production of approximately 120 Bbl/day (30 Bbl/day net to Strike), which the operator expects to increase significantly during 2012 through a low-cost program of infill wells, re-completions and workovers. The program will also test the prospectivity of the Lower Clearfork Shale formation.

Directors' report (continued)

Carnarvon Basin, Western Australia

In November, Strike was awarded a 33.3% interest in offshore permit WA 460 P in the Carnarvon Basin. The permit covers part of the Palta prospect, which the Company estimates to have a gross prospective resource of 13.5 Tcf. Shell is expected to drill the Palta prospect from within the adjoining permit WA 384 P in the second half of 2012.

St Landry Canyon, Louisiana

During the half-year, Strike acquired a 10% working interest in the St Landry Canyon Project, Louisiana. In August, the project spudded the AD Kennison 1 well targeting the high risk / high reward West Plumb Bob conventional prospect. While the well encountered hydrocarbons, both the operator and Strike's technical team deemed them non-commercial, although one project participant has completed the well and is testing it on a sole-risk basis.

Eaglewood Joint Venture (Wilcox formation), Texas

Strike is a participant in the Eaglewood Joint Venture that is targeting the conventional Wilcox Formation, Texas, and the Company has a 40% interest in the producing Louise gas/condensate field. During the half-year, the Joint Venture drilled the Wintermann 1 well (Strike 25%) which did not encounter commercial hydrocarbons. The Company announced that its does not intend to participate in further US conventional exploration in the foreseeable future.

PRODUCTION

Production from the Louise gas/condensate field (Strike 40%) continued without interruption or material decline throughout the half-year at a rate of approximately 4,000 Mcf/day of gas and 100 Bbl/day of condensate (1,600 Mcf/day and 40 Bbl/day net to Strike). The Company also started receiving oil production from the Permian Basin MB Clearfork Project in November.

Production for the half-year and the previous two half-years is summarised in the following table:

PRODUCTION	July-December 2011	January-June 2011	July-December 2010
EAGLEWOOD JV – LOUISE, MESQUITE & RAYBURN GAS/CONDENSATE FIELDS[1]			
Gas (Mcf)	307,480	321,441	832,112
Condensate (Bbl)	7,451	8,097	16,584
Barrels of oil equivalent (Boe)[2]	58,698	61,671	155,269
Mcf of gas equivalent (Mcfe)[2]	352,188	370,023	931,616
PERMIAN BASIN – MB CLEARFORK PROJECT[3]			
Gas (Mcf)	782	-	-
Condensate (Bbl)	1,452	-	-
Barrels of oil equivalent (Boe)[2]	1,583	-	-
Mcf of gas equivalent (Mcfe)[2]	9,496	-	-
TOTAL			
Gas (Mcf)	308,262	321,441	832,112
Condensate (Bbl)	9,646	8,097	16,584
Barrels of oil equivalent (Boe)[2]	61,023	61,671	155,269
Mcf of gas equivalent (Mcfe)[2]	366,139	370,023	931,616

[1] Mesquite and Rayburn fields sold in January 2011

[2] Energy equivalence is calculated on a 1:6 ratio

[3] MB Clearfork Project acquired in November 2011. Production for two months only

Oil production increased 19% upon the previous half-year because of the contribution from the MB Clearfork Project and gas production was flat. The Eaglewood Joint Venture's Sadie 1 well produced at minimal flow rates.

Directors' report (continued)

REVENUES

Strike's revenues and gross margins for the half-year and the previous two half-years are summarised in the following table:

REVENUES (A$'000)	July-December 2011	January-June 2011	July-December 2010
EAGLEWOOD JV – LOUISE, MESQUITE & RAYBURN GAS/CONDENSATE FIELDS[1]			
Gas	1,545	1,566	4,587
Condensate	652	734	1,409
Total	**2,197**	**2,300**	**5,996**
Gross margin	68%	65%	69%
PERMIAN BASIN – MB CLEARFORK PROJECT[2]			
Gas	4	-	-
Condensate	131	-	-
Total	**135**	**-**	**-**
Gross margin	68%	-	-
TOTAL			
Gas	1,549	1,566	4,587
Condensate	783	734	1,409
Total	**2,332**	**2,300**	**5,996**
Gross margin	68%	65%	73%

[1] Mesquite and Rayburn fields sold in January 2011

[2] MB Clearfork Project acquired in November 2011. Revenues for two months only

Average realised oil prices during the half-year were US$81/Bbl and gas prices were US$5.02/Mcf, down 10% and up 3% respectively on the previous half-year. Total half-year revenues of A$2.3 million were the same as the previous period, with lower gas revenues being offset by the November and December MB Clearfork Project oil sales.

CORPORATE

Strike announced new Board and senior management appointments in September, including the appointment of David Wrench as Managing Director. David is leading the Company's transition to being a focused unconventional oil and gas exploration and production company.

During the half-year, Strike successfully completed two capital raisings. In July, the Company raised $16.8 million by way of placement and entitlement offer to all shareholders; and in December it raised $2.5 million by way of placement, followed by a $3.1 million entitlement offer that was completed in January 2012. Both capital raisings were well supported despite difficult market conditions, and Strike welcomed a number of new institutional investors as shareholders.

At 31 December, Strike had $3.6 million of cash and received a further $3.10 million (before costs) from the entitlement offer in January. The Company has adequate funding for the upcoming Cooper Basin evaluation drilling program and is investigating funding alternatives for the remainder of the 2012 exploration and development program.

Strike's management and financial resources are focused upon the advancement of the Company's key unconventional assets – the Cooper Basin and the Eagle Ford Shale – and the current half-year is expected to be pivotal in terms of proving-up the prospectivity of these assets.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998. In accordance with that Class Order, amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Director's Report (continued)

AUDITOR'S INDEPENDENCE DELARATION

The auditor's independence declaration is included on page 4 of the half-year financial 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

D C Wrench

Managing Director

Perth, Western Australia

22 February 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 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) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

22 February 2012

Chair of the Board Audit Committee
Strike Energy Limited
Level 9, Wesfarmers House
40 The Esplanade
Perth, WA, 6000

Dear Board Members

Strike Energy 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 Energy Limited.

As lead audit partner for the review of the financial statements of Strike Energy Limited for the half-year ended 31 December 2011, 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

Peter Rupp
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 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) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of Strike Energy Limited

We have reviewed the accompanying half-year financial report of Strike Energy Limited, which comprises the condensed statement of financial position as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 18.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 half-year 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 2011 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 Energy 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Strike Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Energy 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 2011 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

Peter Rupp

Partner

Chartered Accountants

Perth, 22 February 2012

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

D C Wrench

Managing Director

Perth, Western Australia

22 February 2012

Condensed consolidated income statement
for the half-year ended 31 December 2011

	Note	31 Dec 2011 $'000	31 Dec 2010 $'000
Revenue from oil and gas sales		2,562	5,995
Cost of sales	**4(a)**	(810)	(1,793)
Gross profit		**1,752**	**4,202**
Other income	**4(b)**	953	2,018
Corporate expenses		(363)	(303)
Amortisation and depreciation	**4(c)**	(571)	(1,989)
Employment benefits expense		(2,233)	(2,225)
Exploration and evaluation impairment	**4(d)**	(8,001)	(908)
Finance costs	**4(e)**	-	(190)
Other expenses		(913)	(830)
Loss before income tax		**(9,376)**	**(225)**
Income tax benefit		-	2,863
(Loss)/profit for the period		**(9,376)**	**2,638**
(Loss)/profit for the period attributable to owners of the parent		**(9,376)**	**2,638**
Earnings per share			
- Basic (cents per share)		(2.24)	0.80
- Diluted (cents per share)		(2.24)	0.80

Notes to the condensed consolidated financial statements are included on pages 13 to 17.

Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2011

	Note	31 Dec 2011 $'000	31 Dec 2010 $'000
(Loss)/profit for the period		(9,376)	2,638
Other comprehensive income			
Exchange differences arising on translation of foreign operations		1,153	(5,557)
Cash flow hedges – recognised gains arising during the period		-	508
Other comprehensive income for the period after tax		(8,223)	(5,049)
Total comprehensive income for the period		**(8,223)**	**(2,411)**
Total comprehensive income attributable to owners of the parent		**(8,223)**	**(2,411)**

Notes to the condensed consolidated financial statements are included on pages 13 to 17.

Condensed consolidated statement of financial position
as at 31 December 2011

	Note	31 Dec 2011 $'000	30 June 2011 $'000
Current assets			
Cash and cash equivalents		3,633	2,667
Trade and other receivables		910	943
Other financial assets		1,460	3,387
Total current assets		**6,003**	**6,997**
Non-current assets			
Other financial assets		293	258
Exploration and evaluation expenditure	**5**	34,298	25,152
Oil and gas production assets	**6**	5,480	3,152
Property, plant and equipment		366	386
Total non-current assets		**40,437**	**28,948**
Total assets		**46,440**	**35,945**
Current liabilities			
Trade and other payables		1,227	1,540
Provisions		137	203
Total current liabilities		**1,364**	**1,743**
Non-current liabilities			
Trade and other payables		516	-
Provisions		241	390
Total non-current liabilities		**757**	**390**
Total liabilities		**2,121**	**2,133**
Net assets		**44,319**	**33,812**
Equity			
Issued capital		76,642	58,894
Reserves		(2,132)	(4,267)
Accumulated losses		(30,191)	(20,815)
Total equity		**44,319**	**33,812**

Notes to the condensed consolidated financial statements are included on pages 13 to 17.

Condensed consolidated statement of changes in equity as at 31 December 2011

	Issued Capital	Share-based payments reserve	Foreign exchange translation reserve	Asset revaluation reserve	Hedge reserve	Total Reserves	Accum-ulated losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 Jul 2010	**58,894**	**2,063**	**(2,930)**	**58**	**(189)**	**(998)**	**(12,672)**	**45,224**
Exchange differences arising on translation of foreign operations	-	-	(5,557)	-	-	(5,557)	-	(5,557)
Other comprehensive income	-	-	-	-	508	508	-	508
Net income recognised directly in equity	**-**	**-**	**(5,557)**	**-**	**508**	**(5,049)**	**-**	**(5,049)**
Profit for the period	-	-	-	-	-	-	2,638	2,638
Total comprehensive income for the period	**-**	**-**	**(5,557)**	**-**	**508**	**(5,049)**	**2,638**	**(2,411)**
Recognition of share-based payments	-	522	-	-	-	522	-	522
Balance at 31 Dec 2010	**58,894**	**2,585**	**(8,487)**	**58**	**319**	**(5,525)**	**(10,034)**	**43,335**
Balance at 1 Jul 2011	**58,894**	**2,446**	**(6,713)**	**-**	**-**	**(4,267)**	**(20,815)**	**33,812**
Exchange differences arising on translation of foreign operations	-	-	1,153	-	-	1,153	-	1,153
Net income recognised directly in equity	**-**	**-**	**1,153**	**-**	**-**	**1,153**	**-**	**1,153**
Loss for the period	-	-	-	-	-	-	(9,376)	(9,376)
Total comprehensive income for the period	**-**	**-**	**1,153**	**-**	**-**	**1,153**	**(9,376)**	**(8,223)**
Recognition of share-based payments	-	982	-	-	-	982	-	982
Issue of ordinary shares	19,339	-	-	-	-	-	-	19,339
Share issue costs	(1,591)	-	-	-	-	-	-	(1,591)
Balance at 31 Dec 2011	**76,642**	**3,428**	**(5,560)**	**-**	**-**	**(2,132)**	**(30,191)**	**44,319**

Notes to the condensed consolidated financial statements are included on pages 13 to 17.

Condensed consolidated statement of cash flows
for the half-year ended 31 December 2011

	31 Dec 2011 $'000	31 Dec 2010 $'000
Cash flows from operating activities		
Receipts from customers	2,509	6,816
Receipts from joint venture recoveries	126	316
Interest received	114	23
Proceeds from derivative cash flow hedge	-	359
Payments to suppliers and employees	(3,680)	(4,341)
Interest paid	-	(110)
Net cash (used in)/provided by operating activities	(931)	3,063
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(16,380)	(6,418)
Payments for other financial assets	(25)	(48)
Proceeds from other financial assets	103	-
Payments for property, plant and equipment	(29)	(2)
Net cash used in investing activities	(16,331)	(6,468)
Cash flows from financing activities		
Proceeds from issue of equity instruments of the Company	19,339	-
Payment of share issue costs	(1,180)	-
Proceeds from borrowings	-	1,059
Net cash provided by financing activities	18,159	1,059
Net increase /(decrease) in cash and cash equivalents	**897**	**(2,346)**
Cash and cash equivalents at the beginning of the period	**2,667**	**8,125**
Effects of exchange rate changes on the balance of cash held in foreign currencies	69	(782)
Cash and cash equivalents at the end of the period	**3,633**	**4,997**

Notes to the condensed consolidated financial statements are included on pages 13 to 17.

Notes to the condensed consolidated financial statements

1. Corporate information

The financial report of Strike Energy Limited ("Group") for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of directors dated 22 February 2012.

Strike Energy Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange, with additional listings on the Frankfurt 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 1 to 4.

2. 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 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 consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. 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 Group is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998. In accordance with that Class Order, amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 Group's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 124: *Related Party Disclosures*
- AASB 1054: *Australian Additional Disclosures*
- AASB 2010-4: *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2010-5: *Amendments to Australian Accounting Standards*

The adoption of these new and revised Standards and Interpretations has not resulted in changes to amounts reported in prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

3. Segment information

The Group has identified its operating segments based on the internal management reports that are reviewed by the board of directors (chief operating decision makers) in assessing performance and determining allocation of resources. The Group is managed by both business activity and geographical location. The reportable segments at 31 December 2011 are as follows:

- Australia – Exploration
- Australia – Production
- USA – Exploration
- USA – Production

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Notes to the condensed consolidated financial statements

The following is an analysis of the Group's revenue and results by reportable operating segment for the review periods:

	Australia Exploration $'000		Australia Production $'000		USA Exploration $'000		USA Production $'000		Group $'000	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Continued operations										
Segment revenue										
Revenue from oil and gas sales	-	-	116	63	-	-	2,446	5,932	2,562	5,995
Cost of sales	-	-	(29)	(28)	-	-	(781)	(1,765)	(810)	(1,793)
Gross profit	**-**	**-**	**87**	**35**	**-**	**-**	**1,665**	**4,167**	**1,752**	**4,202**
Amortisation	-	-	-	-	-	-	(522)	(1,936)	(522)	(1,936)
Exploration and evaluation expenditure	(5)	(10)	-	-	(7,996)	(898)	-	-	(8,001)	(908)
Segment result	**(5)**	**(10)**	**87**	**35**	**(7,996)**	**(898)**	**1,143**	**2,231**	**(6,771)**	**1,358**
Other income									953	2,018
Corporate expenses									(363)	(303)
Depreciation									(49)	(53)
Employment benefits expense									(2,233)	(2,225)
Finance costs									-	(190)
Other expenses									(913)	(830)
Loss before income tax									**(9,376)**	**(225)**
Income tax benefit									**-**	**2,863**
Consolidated segment (loss)/profit for the period									**(9,376)**	**2,638**

The revenue reported above represents revenue generated from external customers. There were no intersegment revenues during the period.

The segment result represents the profits earned by each segment without allocation of corporate expenses, depreciation, employment benefits expense, finance costs and other expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2011 $'000	30 June 2011 $'000
Continued operations		
Segment assets		
Australia – Exploration	14,309	13,440
Australia – Production	128	127
USA – Exploration	21,265	14,881
USA – Production	6,331	3,903
	42,033	32,351
Unallocated	4,407	3,594
Total assets	**46,440**	**35,945**

Notes to the condensed consolidated financial statements

4. Revenue and expenses

	31 Dec 2011 $'000	31 Dec 2010 $'000
(a) Cost of sales		
Production costs	84	249
Royalties and taxes	726	1,544
	810	**1,793**
(b) Other Income		
Interest income from non-related parties	114	23
Cost recoveries	473	1,624
Royalty income	81	-
Settlement of cash flow hedge derivative	-	359
Other	285	12
	953	**2,018**
(c) Amortisation and depreciation		
Amortisation – oil and gas production assets	522	1,936
Depreciation – property, plant and equipment	49	53
	571	**1,989**
(d) Exploration and evaluation expenditure		
Exploration and evaluation expenditure impaired	**8,001**	**908**
(e) Finance costs		
Interest expense	-	103
Commitment fees	-	7
Borrowing cost amortisation	-	80
	-	**190**

Notes to the condensed consolidated financial statements

5. Exploration and evaluation expenditure

The following table details the consolidated expenditures on exploration and evaluation properties by area of interest for the half-year ended 31 December 2011.

Area of Interest	**Texas, USA**	**Louisiana, USA**	**Carnarvon Basin, Australia**	**FuturGas Project, Australia**	**Cooper-Eromanga Basin, Australia**	**Other**	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2011	**11,155**	**456**	**2,031**	**4,160**	**6,505**	**845**	**25,152**
Foreign exchange movements	559	(14)	-	-	-	8	553
Additions	13,442	2,154	209	167	(83)	705	16,594
	14,001	2,140	209	167	(83)	713	17,147
Exploration and evaluation expenditure impaired – Note 4(d)	(5,400)	(2,596)	-	-	-	(5)	(8,001)
Net total exploration and evaluation expenditure movement	8,601	(456)	209	167	(83)	708	9,146
Balance at 31 December 2011	**19,756**	**-**	**2,240**	**4,327**	**6,422**	**1,553**	**34,298**

6. Oil and gas production assets

The following table details the consolidated expenditures on oil and gas production assets by area of interest for the half-year ended 31 December 2011.

Area of Interest	**Texas, USA**
	$'000
Balance at 1 July 2011	**3,152**
Foreign exchange movements	173
Additions	2.677
Oil and gas production amortisation	(522)
Net total oil and gas production expenditure movement	2,328
Balance at 31 December 2011	**5,480**

Notes to the condensed consolidated financial statements

7. Dividends

No dividends have been declared or paid during the period.

8. Contingencies and commitments

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date, being 30 June 2011.

9. Events after the reporting period

On 30 January 2012, the Company successfully completed a capital raising of 56,054,458 fully paid shares at an issue price of $0.10 per share raising a total of $5.4 million net of share issue costs of $200,000 consisting of $2.4 million from a share placement received December 2011 and $3 million from a 1 for 15 non-renounceable pro-rate entitlements offer received January 2012.

Other than the above, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that have significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years.

Corporate Directory

Directors

T M Clifton (Chairman)

D C Wrench (Managing Director)

S M Ashton

T R B Goyder

B A Thomas

E M Uliel

Company Secretary

A D Dimsey

Registered Office

Ground Floor
10 Ord Street
WEST PERTH WA 6000
PO Box 1976, WEST PERTH WA 6872
Telephone: +61 8 6103 0999
Facsimile: +61 8 6103 0990
Website: www.strikeenergy.com.au

Auditors

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
PERTH WA 6000

Solicitors

Blake Dawson
Level 32, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Bankers

National Australia Bank Limited
Level 1, 1238 Hay Street
PERTH WA 6005

Wells Fargo Bank, NA
1000 Louisiana Street
Houston TX 77002
USA

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000