ASX Announcement

Strike Energy Limited ABN 59 078 012 745 18 October 2012

The Company Announcement Officer
ASX Ltd
via electronic lodgement

OUR FOCUS

- COOPER BASIN
  Participation in four million net acres, including over one million net acres with unconventional potential
- EAGLE FORD SHALE
  Participation in over 37,400 gross acres within the gas-condensate window

ANNUAL REPORT & NOTICE OF MEETING

Please find attached the 2012 Annual Report and Notice of Annual General Meeting for Strike Energy Limited.

Yours faithfully

SALINA MICHELS
Company Secretary

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2012 ANNUAL REPORT

Strike Energy


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ENSIGN
International Energy Services

STRIKE ENERGY LIMITED HAS A PORTFOLIO OF ASSETS IN TWO OF THE WORLD'S LEADING ONSHORE OIL AND GAS PLAYS – THE COOPER BASIN IN AUSTRALIA AND THE EAGLE FORD SHALE IN THE USA. WE ARE AN ACTIVE INDEPENDENT EXPLORATION AND PRODUCTION COMPANY, COMMITTED TO DEVELOPING OUR SHALE AND COAL SEAM GAS RESOURCES

SOUTHERN COOPER BASIN, SOUTH AUSTRALIA

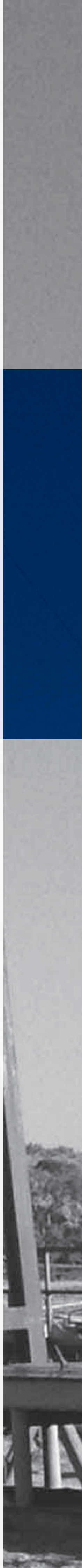
PARTICIPATION IN OVER TWO MILLION ACRES (ONE MILLION ACRES NET TO STRIKE) WITH STRONG SHALE AND COAL SEAM GAS POTENTIAL

EAGLE FORD SHALE, TEXAS

PARTICIPATION IN OVER 37,000 ACRES (10,000 ACRES NET TO STRIKE) WITH OIL AND GAS PRODUCTION TO COMMENCE Q4/2012

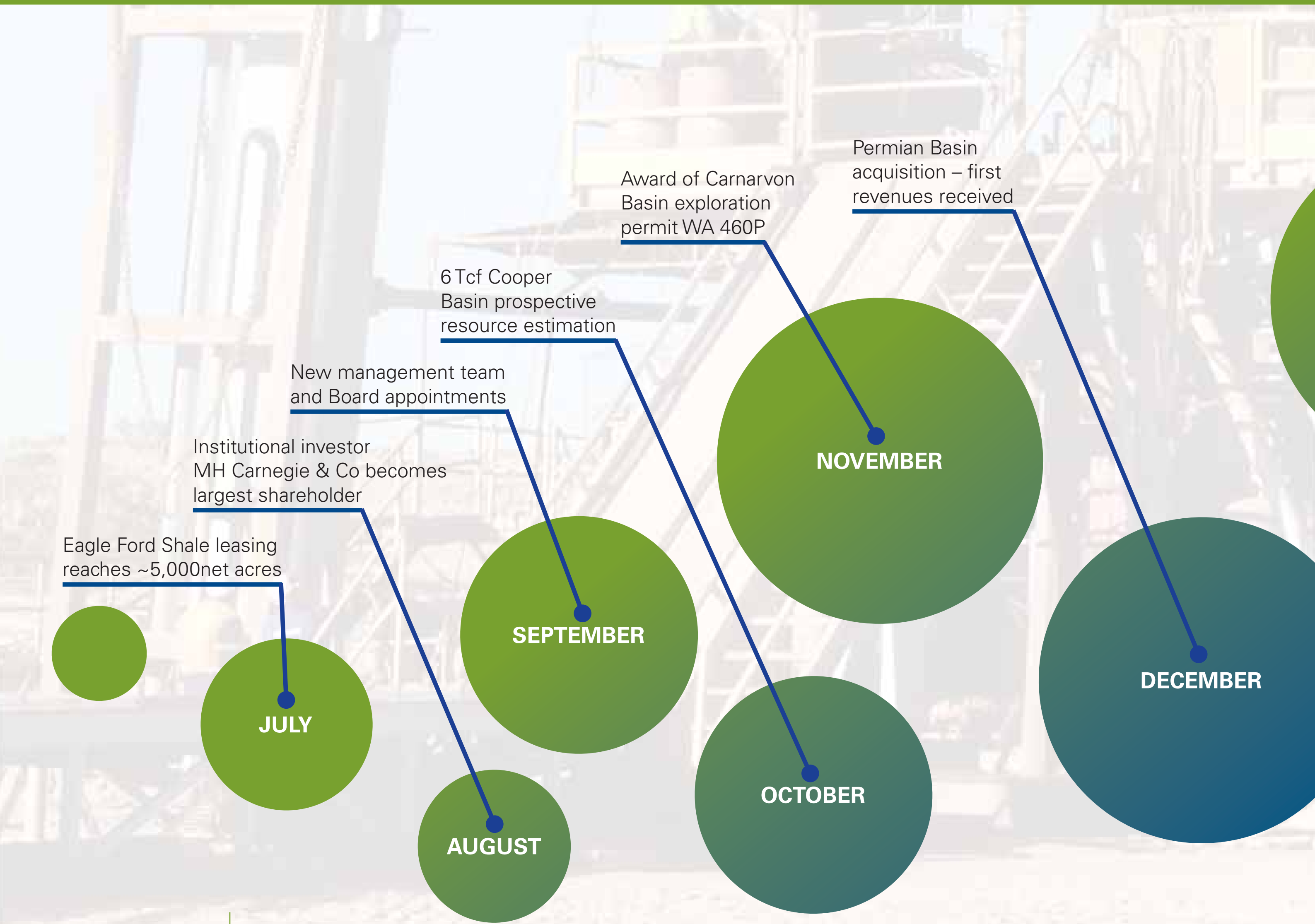
CONVENTIONAL OIL AND GAS PRODUCTION AND RESERVES

UPSIDE POTENTIAL FROM PERMIAN BASIN AND CARNARVON BASIN ASSETS



Highlights

OVER THE LAST 12 MONTHS STRIKE ENERGY HAS CONTINUED TO BUILD AND DEVELOP ITS ASSETS IN THE RAPIDLY DEVELOPING UNCONVENTIONAL OIL AND GAS SECTOR. THE YEAR SAW STRIKE DOUBLE ITS EAGLE FORD SHALE LEASE POSITION AND SPUD ITS FIRST PRODUCTION WELL. THE COMPANY DRILLED TWO UNCONVENTIONAL EVALUATION WELLS IN THE SOUTHERN COOPER BASIN, WHICH CONFIRMED A WORLD-SCALE 14 TCF POTENTIAL RESOURCE IN STRIKE'S PERMIT AREA.



JANUARY

Shareholder Entitlement Offer substantially oversubscribed

FEBRUARY

Marsden 1 unconventional evaluation well (Cooper Basin) records thick shale and coal sections with liquids shows

MARCH

Leading institutional investors support $20 million capital raising

APRIL

Eagle Ford Shale leasing reaches ~9,500 net acres

MAY

Davenport 1 unconventional evaluation well encounters the Cooper Basin's thickest known coal seams – 110 net metres

JUNE

Spudding of first Eagle Ford Shale production well – Bigham 1H

Contents

ANNUAL GENERAL MEETING

To be held at 2.00pm (Perth time) on Wednesday, 21 November 2012, at The Celtic Club, 48 Ord Street, West Perth, Western Australia.

STRIKE ENERGY LIMITED

ACN 078 012 745
Annual Report for financial year ending 30 June 2012

Chairman's letter

Dear Shareholders,

The global oil and gas industry is witnessing a period of success in the discovery and development of hydrocarbon resources not experienced since the 1980s.

The impetus for this success is coming from new developments in drilling and completion technologies which have enabled the targeting of shales and coals as potential hydrocarbon reservoir formations. In many parts of the world the drilling and fracture stimulation of these unconventional target formations has unlocked large oil and gas resources and has provided a unique opportunity for companies of Strike's size to participate in resource development projects of immense size.

Over the last few years, Strike has assembled a portfolio of permits covering some outstanding unconventional prospects in three of the most prolific oil and gas basins in Australia and North America. Exploration and evaluation programmes are underway and delivering results which confirm the potential that this portfolio holds for major discoveries.

In Australia, Strike participates in over 21,000 gross km^2 of exploration permits in the Southern Cooper and Eromanga Basins, including over 4,600 net km^2 (more than 1 million acres) prospective for shale and coal seam gas.

Two wells drilled in the 2012 financial year – Marsden 1 in PEL 95 and Davenport 1 in PEL 94 – confirmed the extent, as well as establishing the extraordinary thickness, of hydrocarbon-rich coal and shale sequences across the Strike permit area – including 110 metres of net coal at Davenport 1. The drilling has established the presence of a multi-Tcf prospective gas resource.

The programme for the coming year is to demonstrate that this gas resource can be successfully flowed. If gas flow and commerciality are established, the rewards to shareholders will be substantial.

Eastern Australia is experiencing unprecedented increases in gas demand and faces the prospect of steeply rising gas prices. Cooper Basin producers – potentially including Strike – are best positioned to meet this increasing demand through existing pipeline infrastructure assisted by the well defined competing land-use and environmental regulatory regimes that prevail in this remote location.

In the USA, Strike's Eagle Ford Shale play has advanced from leasing to development, and will soon commence production. During the year Strike's lease position within the attractive gas-condensate fairway of the Eagle Ford Shale was expanded, reaching approximately 37,000 gross leased and committed acres by early September 2012 (over 10,000 acres net to Strike).

Following comprehensive technical studies, Strike's first horizontal production test well – Bigham 1H – spudded in mid-June and reached total depth in early August. The well is scheduled to be fracture stimulated and to commence condensate and gas production in October.

Commercial production from this well will represent a major milestone for Strike, confirming the quality and value of its Eagle Ford acreage and potentially providing a substantial lift in value for shareholders.

Whilst Strike's Southern Cooper Basin and Eagle Ford Shale assets provide shareholders with exciting prospects in two world-class unconventional basins, the significant potential value that the Company may derive from its portfolio of other assets should not be ignored.

The conventional production assets in Texas – the Louise gas-condensate and Permian Basin oil fields – continue to produce steadily, generating approximately $5 million of revenues in the past year. The Permian Basin acreage also covers a developing unconventional shale play on which the Company has commenced evaluation.

In Australia, the Company's Carnarvon Basin conventional oil and gas exploration acreage will provide interest in coming months as Shell drills the deep water Palta prospect. Strike has a 33.3% interest in an adjoining permit which covers a portion of the Palta structure and potentially holds up to 2.5 Tcf of gas. Success in Shell's Palta drilling will provide a major value adding event for shareholders.

In 2012 Strike has confirmed its position as a significant explorer in the rapidly expanding unconventional oil and gas business in Australia and Texas, USA. The opportunities currently before the Company are large scale and, in the Cooper Basin, of world class potential, and with clear paths to commercialisation.

Strike has built its' current exciting position as a result of sustained effort by Managing Director David Wrench and his team over the past twelve months, and the efforts of Strike's former Managing Director, Simon Ashton, the Company's employees and joint venture partners over a number of years. In closing I would like to thank the Strike staff and contractors and my fellow Directors for their valued contribution over the year. I also would like to acknowledge the Company's shareholders and to thank you for your continued strong support. Together, I look forward to the important and exciting year that lies ahead.

Yours sincerely

Tim Clifton
Chairman

Managing Director's Overview

I am pleased to provide shareholders with this report, my first since commencing as Managing Director of Strike Energy in October 2011.

The 2011/12 year saw acceleration in the pace of activity undertaken by our company. Amongst the highlights:

- Drilling two Southern Cooper Basin dedicated unconventional evaluation wells and confirming the significant resource potential of this area;
- Doubling the size of our Eagle Ford Shale lease position and spudding our first production test well; and
- Acquiring exciting new interests in the Permian Basin and Carnarvon Basin.

The activity that we undertook during the year puts our company in a strong position as we enter 2012/13. We have an excellent asset platform, with major exposures in two of the world's best unconventional basins – the Southern Cooper Basin and the Eagle Ford Shale – and the activity planned for the year ahead is targeted to directly prove-up the value of these assets.

SOUTHERN COOPER BASIN, SOUTH AUSTRALIA

Strike Energy has a significant position across the Southern Cooper and Eromanga Basins with more than 21,000km^2 (gross)/ 16,000km^2 (net) of permits and applications – about four million acres.

The Cooper Basin has produced hydrocarbons for over 50 years and is one of Australia's most active onshore oil and gas basins. Following several years of declining conventional production, the Cooper Basin is experiencing an historic revival due to the discovery of new oil fields on the Western Flank of the basin and the recognition of the potential for very large unconventional shale, coal seam gas and tight sands resource development.

During 2011/12, several companies – including Strike – drilled dedicated unconventional evaluation wells targeting the Permian aged section, in particular the Toolachee Formation, Roseneath, Epsilon and Murteree Formations (together 'REM') and the Patchawarra Formation.

KEY COOPER AND EROMANGA BASIN PERMITS AND APPLICATIONS

PERMIT	STRIKE INTEREST	SIZE (gross km^2)	SIZE (net km^2)	OPERATOR	TARGET
PEL 94*	35%	1,804	631	Beach Energy	Shale and deep coal seam gas
PEL 95*	50%	2,581	1,291	Beach Energy	Shale and deep coal seam gas
PEL 96	66$^2/_3$%	4,060	2,707	Strike	Shale and deep coal seam gas
PELA 71	75%	6,145	4,609	Strike	Conventional oil
PELA 515	100%	3,038	3,038	Strike	Conventional oil
PELA 525	100%	3,804	3,804	Strike	Conventional oil
TOTAL		**21,432**	**16,079**		

* Subject to renewal and 50% relinquishment November 2012

Our goal for 2011/12 was to demonstrate the existence, depth and thicknesses of unconventional formations within our permits, and estimate the potential hydrocarbon resources within. Strike's technical team conducted an extensive geological mapping exercise using existing 2D seismic and well log data, and in November we announced a prospective resource (net to Strike) of 6.1 trillion cubic feet (Tcf) of gas and 54 million barrels of oil.

Strike, together with our partner Beach Energy, spudded the Marsden 1 unconventional evaluation well within the Battunga Trough of PEL 95 in February 2012. Drilling operations were suspended for several weeks due to widespread flooding in the Cooper Basin and total depth of 2,625 metres was achieved in early April. Marsden 1 encountered over 800 metres of Permian section, including thick shales, coals and sands. Of particular interest, mudlogs recorded the presence of heavy hydrocarbons (natural gas liquids) up to pentane (C5). The Toolachee and Murteree Formations were successfully cored but we were unable to attempt cores in the Patchawarra Formation due to deteriorating hole conditions. Marsden 1 was cased and suspended for further testing.

Following immediately after Marsden 1, Strike and its PEL 94 partners – Beach Energy and Senex Energy – spudded the Davenport 1 evaluation well in the Milpera Trough. Drilling operations proceeded smoothly and the well reached total depth of 2,102 metres in mid-May. The drilling results from Davenport 1 surprised on the upside. The well encountered over 110 metres of coals (a multiple of pre-drill expectations), including one seam 45 metres thick – thought to be the thickest yet discovered in the Cooper Basin. Mudlogs recorded very strong gas shows. Cores were successfully recovered from the Patchawarra Formation in a sidetrack operation and the well was cased and suspended for further testing.

So what does this mean?

The Marsden 1 and Davenport 1 results, together with well results announced by our peers in adjacent permits, confirm the potential of Strike's permits and the broader Southern Cooper Basin as a world-class region for unconventional hydrocarbons. More specifically, Strike has gathered valuable data on thicknesses, hydrocarbon contents and other information relevant to the potential productivity of its shale and coal formations and the assumptions underlying its resource estimates. We now have two distinct unconventional plays – shales with the presence of heavy hydrocarbons and exceptionally thick gas-saturated coals.

Subsequent to year end, on the basis of the Marsden 1 and Davenport 1 drilling results and laboratory analysis of cores and samples, Strike announced a revised prospective resource (net to Strike) of 14 Tcf of gas and 54 million barrels of oil.

Our goal for the current 2012/13 year is to demonstrate that the shales and coals within Strike's permit areas are capable of flowing gas to the surface. We are working with our partners to finalise a follow-on program that will likely involve flow testing of Davenport 1 and/or Marsden 1 during the first half of 2013.

While we still have much work to do to prove the commerciality of Strike's prospective resource, the sheer size of the resource gives our company unrivalled leverage to successful economic recovery of unconventional resources from the Cooper Basin.

To sum it up – Strike has a multi-Tcf prospective onshore gas resource located along existing pipeline infrastructure which is connected to rapidly growing Eastern Australian gas markets.

EAGLE FORD SHALE, TEXAS

Strike Energy participates in approximately 37,000 gross acres in the Eagle Ford Shale (as at early September 2012) through its' 27.5% interest in the Eagle Landing Joint Venture – over 10,000 acres net to Strike, one of the largest Eagle Ford Shale positions held by an ASX-listed company. The Joint Venture's acreage position, which doubled over the course of the year, is primarily within the gas-condensate fairway in northern Lavaca County and southern Fayette County, Texas.

The Eagle Ford Shale is one of the USA's and the world's best unconventional oil and gas plays. It is characterised by three distinct 'fairways' – oil, gas-condensate and dry gas. The gas-condensate fairway typically has the best economics because of the high liquids recovery rates (typically accounting for over 85% of revenues) and the strong well flow rates driven by gas production. During the year, as US natural gas prices declined substantially and many dry gas plays became sub-economic, a record number of drill rigs were assigned to the profitable, liquids-rich Eagle Ford Shale.

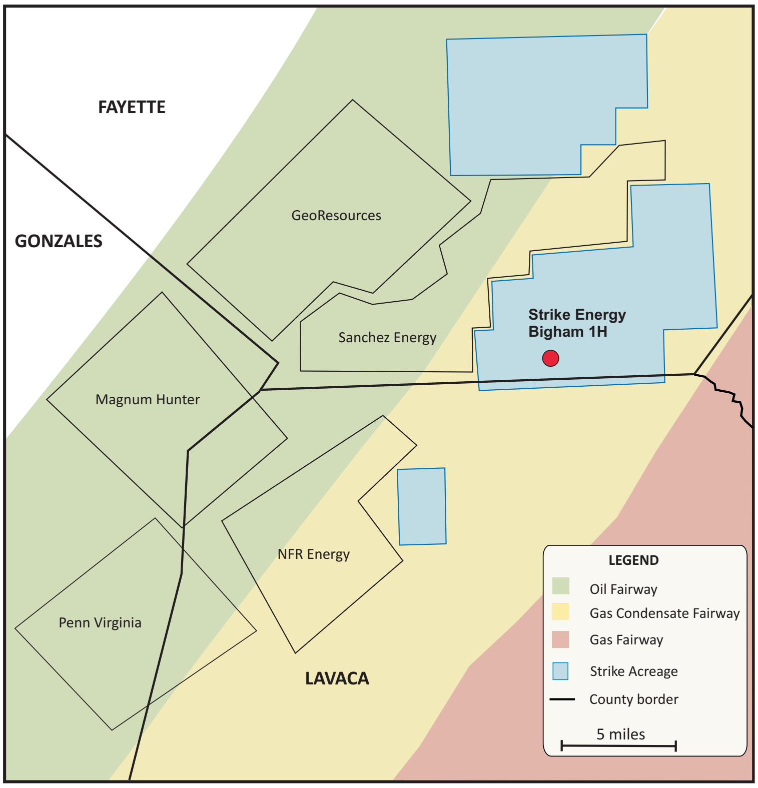
The Eagle Landing Joint Venture began leasing over two years ago following an extensive technical study which concluded that the Eagle Ford Shale trend would likely extend from the proven productive Karnes and Dewitt Counties, northeast into Lavaca and Fayette Counties. The Joint Venture enjoyed significant 'first mover' advantage, securing a large Eagle Ford Shale position targeting the gas-condensate fairway at relatively attractive lease costs.

The Eagle Landing Joint Venture is now seeking to demonstrate that its acreage is productive and profitable, which if successful, will likely result in a major re-rating of the lease values. During the year, the Joint Venture conducted detailed technical evaluation of the Upper and Lower Eagle Ford Shale formations that are present throughout most of the Joint Venture's acreage. The evaluation confirmed that the Joint Venture's acreage lies within the gas-condensate fairway and that the formations are naturally fractured and should be capable of being successfully fracture stimulated.

Given this confidence, Strike and its partners committed to a first production test well – Bigham 1H – that spudded in mid-June. The well reached a total measured depth of 17,700 feet (~5,400 metres) in early-August, subsequent to year end, including a 5,000 foot (~1,500 metre) lateral section. At the time of writing, a multi-stage fracture stimulation program was expected to start in late September 2012 with production to commence in mid October.

Successful production from Bigham 1H will be an important milestone in proving-up the value of Strike's Eagle Ford Shale investment. It will then be necessary to demonstrate that such productivity extends across Strike's broader lease area and therefore we plan to drill further production test wells during the current 2012/13 year. However, given the relatively contiguous nature of the Eagle Ford Shale, Strike will benefit from successful offset

MAP 1 - STRIKE'S EAGLE FORD SHALE JOINT VENTURE LEASE AREA



wells drilled by other operators in the vicinity of our acreage. In particular, the Company welcomes the strong early flow rates recently achieved by NFR Energy at its Sustr 1H well and by Sanchez Energy at its Prost 1H and 2H wells that have contributed to a regional de-risking of northern Lavaca and southern Fayette Counties (See Map 1).

Based on industry accepted 120 acre well spacing, Strike has over 30 potential Eagle Ford Shale well sites (80 net to Strike). Offset operators are forecasting expected ultimate recovery (EUR) rates of 450,000 – 550,000 Mboe per well. So if Strike is able to demonstrate that similar productivity extends across its 10,000 net acre lease area, the Company will have a 35 – 45 million boe potential resource.

PERMIAN BASIN, TEXAS

During the year, Strike Energy acquired a 25% interest in the MB Clearfork Project that has leased 7,500 acres (1,875 acres net to Strike) in the Permian Basin, one of the world's premier oil basins. The MB Clearfork Project is located in Martin County, Texas, and has hydrocarbon rights from the surface to the Upper Sprayberry formation (~2,400 metres depth).

The MB Clearfork Project produces about 100 barrels of oil per day (Bbl/d), or 25 Bbl/d net to Strike, from 15 conventional wells targeting the Middle Clearfork limestone formation. Subsequent to year end, a 16th well – the MB Clearfork Unit #16 – was completed and is now contributing to production.

While Strike enjoys a steady revenue stream from the MB Clearfork Project's conventional production, it is the unconventional potential of the project which is of most interest. Lying below the Middle Clearfork formation, the 170 metre thick Lower Clearfork Shale presents a significant upside opportunity. The MB Clearfork Project's Lower Clearfork Shale has been independently estimated to contain original-oil-in-place (OOIP) of 1,650 million bbl (over 400 million bbl net to Strike).

Strike and its joint venture partners are currently assessing the production potential of the Lower Clearfork Shale. The MB Clearfork Unit #16 well was deepened to test the formation and recovered 22 sidewall cores. These are currently being laboratory tested. We expect that further testing of the shales will occur during the current year.

EAGLEWOOD JV (WILCOX FORMATION), TEXAS

Strike Energy has an interest in the Eaglewood Joint Venture that is focused upon the conventional Wilcox formation in Colorado County. The joint venture has historically made three gas-condensate discoveries – the Mesquite and Rayburn fields that were sold in early 2011 for $95 million, and the Louise field (Strike 40%) that has been producing consistently since mid-2010 at a rate of around 4 MMcf/d of gas and 100 Bbl/d of condensate.

During the year, Strike drilled one exploration well – Wintermann 1 – that did not encounter commercial hydrocarbons.

OTHER ASSETS

Strike Energy has high working interests in five exploration permits covering 2,371 km^2 of Australia's Carnarvon Basin (about 1,200 km^2 net to Strike), including a one-third interest in WA 460 P that was awarded during the year. Strike did not undertake material exploration activity in the Carnarvon Basin during the year.

However, WA 460 P sits over a portion of a very large gas prospect that is expected to be drilled by Shell Development Australia in an adjacent permit in late 2012. Success by Shell will have a very material impact upon the value of Strike's WA 460 P permit.

During the year, Strike acquired interests in two new joint ventures – the St Landry Canyon Project (10%) and Tigre Lagoon (15%), both targeting large conventional gas-condensate prospects in Louisiana, USA. The St Landry Canyon Project drilled the A. D. Kennison 1 well in H2/2011 which did not encounter commercial hydrocarbons. The Tigre Lagoon joint venture is currently conducting a 3D seismic program over its lease area.

Strike has a 100% interest in the Kingston Project, a very large lignite deposit in South Australia that is suitable for gasification and as a feedstock for large-scale ammonia, urea or methanol production. During the year, Strike held discussions with a number of potential partners interested in advancing the project.

Managing Director's Overview (cont)

PRODUCTION

During the year, Strike Energy enjoyed rising production from the Louise field, with gas production increasing 22% to 593 MMcf from 488 MMcf in the previous year, and condensate production increasing 12% from 12,940 Bbl to 14,529 Bbl. The Company also produced 6,469 Bbl of oil from the MB Clearfork Project over the seven months since the asset was acquired in November 2011. However, total production for the year was significantly lower than 2010/11 due to the sale of the Mesquite and Rayburn fields which was effective from 1 January 2011.

Strike's average realised gas price during the year was $4.31/Mcf, down 19% on the previous year due to declining US natural gas prices. The Company's average realised oil-condensate price was $92.40/Bbl, up 6% on the previous year.

STRIKE'S PRODUCTION

PRODUCTION	LOUISE FIELD	MB CLEARFORK	2011/12	2010/11
Gas (MMcf)	593	4	597	1,153
Oil-condensate (Bbl)	14,529	6,469	20,998	24,681

RESERVES AND RESOURCES

STRIKE'S RESERVES AND RESOURCES

30 June 2012

		Proved		Probable		Total 2P		Total 2P*	
		Bbl	MMcf	Bbl	MMcf	Bbl	MMcf	MBoe	MMcfe
Louise Field	Before royalties	46	3,651	-	-	46	3,651	655	3,929
	After royalties	35	2,497	-	-	35	2,497	451	2,706
MB Clearfork	Before royalties	351	296	208	166	559	462	636	3,814
	After royalties	225	190	125	100	350	289	398	2,386
Total	Before royalties	397	3,947	208	166	605	4,113	1,290	7,743
	After royalties	260	2,687	125	100	384	2,787	849	5,092

30 June 2011

		Proved		Probable		Total 2P		Total 2P*	
		Bbl	MMcf	Bbl	MMcf	Bbl	MMcf	MBoe	MMcfe
Louise Field	Before royalties	66	4,382	-	-	66	4,382	796	4,777
	After royalties	50	2,997	-	-	50	2,997	549	3,296
MB Clearfork	Before royalties	-	-	-	-	-	-	-	-
	After royalties	-	-	-	-	-	-	-	-
Total	Before royalties	66	4,382	-	-	66	4,382	796	4,777
	After royalties	50	2,997	-	-	50	2,997	549	3,296

*Barrels of oil equivalent (boe) and cubic feet of gas equivalent (cfe) are calculated on an industry standard 6:1 energy equivalence basis (rather than the 10:1 ratio used in Strike's 2010/11 Annual Report). This ratio does not reflect the relative commercial value of gas and oil-condensate.

RESERVES AND RESOURCES (cont)

Strike Energy's 2P reserves increased 62% during the year. The Company's oil-condensate reserves increased over nine times due to the acquisition of the MB Clearfork Project in the Permian Basin, Texas. Strike's gas reserves declined 6% due to production from the Louise gas-condensate field.

Strike's reserves are shown in the previous table, both before and after the deduction of landowner royalties.

SAFETY, ENVIRONMENTAL AND SOCIAL PERFORMANCE

Strike Energy believes that the safety of our employees, contractors and all personnel involved in our business is of paramount importance. We continuously monitor our operations to ensure compliance with our Safety Policy and all relevant laws and regulations. During the year, Strike experienced no lost-time-injuries or reportable incidents at the locations where we operated activities.

Strike also believes in the protection of our environment and adheres strictly to our Environmental Policy and all relevant laws and regulations. During the year, Strike recorded no environmental incidents at the locations where we operated activities.

Strike seeks to maintain positive relations with the communities and stakeholders affected by our operations. In the Cooper Basin, we have Indigenous Land Use Agreements with the Yandruwandha/Yawarrawarrka people and all obligations under those agreements have been satisfied. In the USA, we have compensation agreements in place with landowners directly affected by our operations and all obligations under those agreements have been satisfied.

CORPORATE ACTIVITY

During 2011/12, Strike Energy opened a small corporate office in Sydney to be closer to investment markets and in a better time zone to manage our USA and Southern Cooper Basin assets. We executed an extensive investor relations program to raise awareness of the 'Strike story', including domestic and international roadshows, media presentations and participation within industry conferences. We also implemented various cost cutting measures.

Strike raised $41 million of new equity capital during the year to fund our exploration and development programs and the Company finished the year with $16 million of cash.

The 2012/13 year will see the Company achieve a number of major milestones across its' key projects. I am confident that the combination of our assets, our team and our commercialisation strategy will result in improved returns for shareholders.

Yours sincerely

David Wrench
Managing Director

Competent person's statement

OIL AND GAS RESERVES ESTIMATION

The reported reserves as at 30 June 2012 are based on information compiled by Mr B A Thomas. Mr Thomas is the Manager of Strike's United States operations and has consented to the inclusion of the reserves information in this report.

Mr Thomas holds a B.Sc in Petroleum Engineering. He is a member of the Society of Petroleum Engineers and has worked in the petroleum industry as a practising reservoir engineer for over 40 years.

Directors' report

The directors of Strike Energy Limited submit herewith the annual report of the Consolidated Entity consisting of Strike Energy Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

INFORMATION ABOUT THE DIRECTORS

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name	Particulars
Mr T M Clifton	Chairman (non-executive), B.Sc (Hons); B.Juris; LLB; FAusIMM Mr Clifton joined the board in 2008 and was appointed Chairman on 19 August 2010. He has over 40 years' experience in the Australian resources industry.
Mr D C Wrench	Managing Director (executive), B.Eng (Mining) (Hons) Mr Wrench joined the board in 1998 and was appointed Managing Director on 1 October 2011. He has extensive experience in base and precious metal and energy markets in Australia and North America.
Mr S M Ashton	Director (non-executive), B.Sc (Hons); M.Sc; MBA Mr Ashton joined the board in 1997 and was a co-founder of Strike Energy Limited. He has over 35 years' experience in the Australian and international petroleum and resource industries. Mr Ashton resigned as Managing Director on 30 September 2011.
Mr T R B Goyder	Director (non-executive) Mr Goyder joined the board in 2010. He has over 30 years' experience in the resources industry in Australia and internationally.
Mr B A Thomas	Director (executive), B.Sc (Petroleum Engineering) Mr Thomas joined the Company in 2010 as the Company's President of US Operations and was appointed to the board on 29 September 2011. He has over 40 years upstream petroleum sector experience.
Mr E M Uliel	Director (non-executive), BA, LLB Mr Uliel joined the board on 29 September 2011. He has extensive corporate finance expertise and international commercial experience within the oil and gas sector. Mr Uliel is the Chief Commercial Officer of Dart Energy Limited.

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

Name	Particulars
Mr B A Thomas	Appointed 29 September 2011
Mr E M Uliel	Appointed 29 September 2011

Directors' report (cont)

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of Directorship
Mr T M Clifton	Lodestar Minerals Limited	Since May 2012
	Uranium Equities Limited	May 2006 to June 2010
Mr T R B Goyder	Uranium Equities Limited	Since March 2002
	Chalice Gold Mines Limited	Since October 2005
	Liontown Resources Limited	Since February 2006

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Director	Number of fully paid ordinary shares	Number of share options
Mr T M Clifton	24,885,459	-
Mr S M Ashton	9,897,562	1,500,000
Mr D C Wrench	36,919	10,000,000
Mr T R B Goyder	28,356,669	-
Mr B A Thomas	-	3,000,000

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel set out in the Remuneration Report of this Directors' Report, on pages 20 to 27. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During the financial year a total of 17,500,000 share options were granted to the following key management personnel of the Company as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
Mr D C Wrench	10,000,000	Strike Energy Limited	10,000,000
Mr A M Hooper-Nguyen	2,500,000	Strike Energy Limited	2,500,000
Mr A D Dimsey	2,500,000	Strike Energy Limited	2,500,000
Mr B A Thomas	2,500,000	Strike Energy Limited	2,500,000

COMPANY SECRETARY

Ms S Michels, Certified Practicing Accountant, was appointed Company Secretary on 29 June 2012. She joined Strike Energy Limited in June 2011.

Mr A Dimsey, Certified Practicing Accountant, resigned as Company Secretary on 29 June 2012.

REVIEW OF OPERATIONS

Refer to the Managing Director's Overview on page 8.

FINANCIAL REVIEW

During the year the Company generated production revenue of $4.7 million from production of 0.81 Bcfe, at an average gas equivalent sales price of $4.31/Mcfe and average oil price of $92.40/Bbl. This represents a revenue decrease of 46% on the previous financial year revenue of $8.3 million (2011: Production of 1.28 Bcfe, with an average gas equivalent sales price of $5.33/Mcfe). This decrease in revenue was largely due to the sale of the Rayburn and Mesquite production assets during the 2011 financial year together with the decline in US natural gas prices. Overall revenue from oil was flat due to the acquisition of the MB Clearfork project in November 2011 with lower production being offset by higher oil prices (2011: average oil price $83.99).

Strike Energy's cash position at 30 June 2012 was $16.5 million, up from $2.7 million at 30 June 2011.

Cash generated from $40 million of capital raising has been used to fund $24.7 million of development and exploration expenditure during the year.

PRINCIPAL ACTIVITIES

The Consolidated Entity's principal activities in the course of the financial year were the evaluation, development and production of oil and gas and energy projects in Australia and the United States of America (USA).

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Consolidated Entity during the financial year.

SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year not otherwise dealt with in this report or financial statements, that has significantly affected, 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 future financial years.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity is subject to environmental regulations under State and Territory laws where it holds exploration permits and tenements. The Consolidated Entity is not aware of any breaches of these laws.

DIVIDENDS

In respect of the financial year ended 30 June 2011, no dividend was paid to the holders of fully paid ordinary shares.

In respect of the financial year ended 30 June 2012, the directors recommend no payment of a divided to the holders of fully paid ordinary shares.

Directors' report (cont)

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Strike Energy Limited	2,750,000	Ordinary	35 cents	26 October 2012
Strike Energy Limited	1,500,000	Ordinary	40 cents	17 November 2012
Strike Energy Limited	2,000,000	Ordinary	40 cents	23 November 2012
Strike Energy Limited	775,000	Ordinary	32 cents	21 October 2013
Strike Energy Limited	500,000	Ordinary	25 cents	21 October 2013
Strike Energy Limited	6,000,000	Ordinary	20 cents	31 August 2014
Strike Energy Limited	5,000,000	Ordinary	20 cents	3 October 2016
Strike Energy Limited	9,500,000 (iii)	Ordinary	20 cents	18 November 2016
Strike Energy Limited	3,000,000 (iii)	Ordinary	20 cents	18 November 2018
	31,025,000			

(i) The holders of these options do not have the right, by virtue of the options, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.
(ii) There have been no shares issued during or since 30 June 2012 as a result of the exercise of options.
(iii) Of these options, 3,000,000 may only be exercised once the ASX closing prices is $0.35 or greater for five consecutive trading days and 3,000,000 may only be exercised once the ASX closing price is $0.80 or greater for five consecutive trading days as at vesting date.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid premiums in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, nine board meetings were held.

	Board of Directors	
Director	**Eligible to attend**	**Attended**
Mr D C Wrench	9	9
Mr S M Ashton	9	8
Mr T M Clifton	9	9
Mr T R B Goyder	9	8
Mr B A Thomas	7	7
Mr E M Uliel	7	7

NON-AUDIT SERVICES

No fees for non-audit services were paid/payable to the external auditors Deloitte Touche Tohmatsu during the year ended 30 June 2012 nor ended 30 June 2011.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on "Auditor's independence declaration" on page 28.

ROUNDING OFF OF AMOUNTS

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

Remuneration report (audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Strike Energy Limited's key management personnel for the financial year ended 30 June 2012.

For the purposes of this report, key management personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Company performance
- Remuneration structure
- Remuneration of key management personnel
- Key terms of employment contracts

KEY MANAGEMENT PERSONNEL

The following persons acted as directors and other key management personnel of the Consolidated Entity. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

T M Clifton	Independent Chairman (non-executive)
D C Wrench	Managing Director (executive) – appointed Managing Director 1 October 2011
S M Ashton	Independent Director (non-executive) – retired as Managing Director 30 September 2011
T R B Goyder	Independent Director (non-executive)
B A Thomas	President of US Operations (executive director) – appointed 29 September 2011
E M Uliel	Independent Director (non-executive) – appointed 29 September 2011
A M Hooper-Nguyen	Chief Financial Officer and Chief Commercial Officer – appointed 18 July 2011
A D Dimsey	General Manager – Australia and Company Secretary – appointed 1 September 2011 and resigned 29 June 2012
D J Poynton	Manager – Exploration and Environment
R J Weeden	Manager – Geoscience
S L Michels	Company Secretary and Financial Controller – appointed 29 June 2012

STRIKE ENERGY REMUNERATION POLICY

The compensation program for key management personnel of the Consolidated Entity is designed to ensure that the level and form of compensation achieves certain objectives including:

- attracting and retaining talented, qualified and effective key management personnel;
- motivating their short and long-term performance; and
- aligning their interests with those of the Company's shareholders.

The board of directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and senior management.

Generally, compensation is provided by the Company to its executive directors and senior management by way of base salary, short-term bonus and by the granting of employee options and superannuation. The overall objective is to ensure maximum stakeholder benefit from the retention of a high quality, high performing director and senior management team.

COMPANY PERFORMANCE

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to 30 June 2012:

	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Revenue	4,716	8,296	14,353	36,434	15,999
Net (loss)/profit before tax	(14,427)	(8,143)	(6,055)	10,224	389
Net (loss)/profit after tax	(14,427)	(8,143)	(6,055)	10,224	389
	2012	**2011**	**2010**	**2009**	**2008**
Share price at start of year	$0.16	$0.24	$0.19	$0.36	$0.27
Share price at end of year	$0.15	$0.16	$0.24	$0.19	$0.36
Basic (loss)/earnings per share (cents)	(3.03)	(2.48)	(1.84)	3.11	0.12
Diluted (loss)/earnings per share (cents)	(3.03)	(2.48)	(1.84)	3.10	0.12

REMUNERATION STRUCTURE

Non-executive director remuneration

In line with corporate governance principles, non-executive directors are remunerated solely by way of fees and superannuation. Non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

Given the evolving nature of the Consolidated Entity's business, the board of directors continues to review and redesign the overall compensation plan for directors so as to continue to address the remuneration philosophy objectives identified above.

The total fees paid to the Chairman and non-executive directors on the board are kept within the total approved by shareholders. On 1 September 2010 fees payable to each non-executive director were reviewed and set at $45,600 per annum, inclusive of superannuation obligations. An additional fee of $17,100 per annum is paid for the Chairman of the board, inclusive of superannuation obligations. This fee structure is based on a review of other peer entities with a similar market capitalisation.

The remuneration of non-executive directors for the years ending 30 June 2012 and 30 June 2011 is detailed in Tables 1 and 2 respectively of this report.

Directors' report (cont)
Remuneration report (audited) (cont)

Executive remuneration

The Consolidated Entity aims to reward senior management with a level and mix of remuneration commensurate with their position and responsibilities to ensure consistency with the remuneration philosophy objectives identified above.

The Consolidated Entity has entered into standard contracts of employment with its senior management. Details of these contracts are provided below.

Remuneration consists of the following key elements:

- Fixed remuneration: being base salary, superannuation and other benefits (including non-monetary); and
- Variable remuneration: being short term incentive (STI); and long term incentive (LTI).

Fixed remuneration

Fixed remuneration is reviewed annually by the board of directors. The process consists of a review of Company and individual performance, relevant comparative remuneration information from a variety of sources including industry associations and where considered appropriate, external advice on policies and practices.

Variable remuneration – short term incentive (STI)

The objective of the STI program is to link the achievement of the Consolidated Entity's performance measures with the remuneration received by senior management charged with achieving those measures. The total potential STI available is set at a level so as: (i) to provide sufficient incentive for senior management to achieve the performance measures; and (ii) to ensure costs to the Consolidated Entity are reasonable.

STI payments granted to senior management are dependent on the extent to which performance measures are met. These measures consist of a variety of criteria covering financial, non-financial, corporate and individual measures of performance. Typically included in performance measurement are the Consolidated Entity's production performance, project exploration and development performance, additional oil and gas reserves delineated, and financial performance. These measures were selected as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

On an annual basis, after consideration of the Consolidated Entity's performance against performance measures, the board of directors determine the amount, if any, of the STI to be paid to senior management. This process usually occurs within four months of balance date.

The aggregate of annual STI payments available for senior management in the Consolidated Entity is subject to the approval of the board of directors. Payments made are generally delivered as a cash bonus in the month following approval.

For the financial year, the board of directors has resolved no STI cash bonus will be paid (2011: Nil).

Variable remuneration – long term incentive (LTI)

The objective of the LTI program is to reward senior management in a manner that aligns remuneration with the creation of shareholder wealth. LTI grants to senior management are delivered in the form of share options under the Company's Employee Share Incentive Option Plan ("Plan").

Share options are granted at the discretion of the board of directors and are issued with an exercise price at a premium to the average of Strike Energy Limited's share price at the date of issue. Options granted generally have a contractual life of between three and five years and may vest either immediately or 50% after one year and the balance after two years from the grant date. Additional performance conditions may be attached to the exercise of the option including share price performance benchmarks and extended vesting dates. Where a senior manager ceases employment prior to the vesting date of their share options, the options are forfeited unless considered inappropriate by the board. Share options which vested immediately expire 90 days following cessation date, unless considered inappropriate by the board.

The Company's policy prohibits hedging of options granted under share option plans. Prohibited hedging practices include put/call arrangements over "in the money" options to hedge against a future drop in share price. The board considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives. There is no policy in place limiting the risk of exposure to the securities in respect of the recipient of options.

Further information on the Plan is set out under note 25.

Shares issued on exercise of remuneration of options

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 1

2012	Short-term employee benefits				Post-Employment Benefits	Other long term			
	Salary and fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	employee benefits $	Termination benefits $	Share-based payments $	Total $
Non-executive directors									
T M Clifton	55,000	-	-	-	7,700	-	-		62,700
S M Ashton (i)	349,644	-	-	-	21,467	-	121,212	13,375	505,698
T R B Goyder	40,000	-	-	-	5,600	-	-	-	45,600
Mr E M Uliel (ii)	34,178	-	-	-	-	-	-	-	34,178
Executive officers									
D C Wrench (iii)	274,496	-	4,420	-	25,305	-	-	375,104	679,325
B A Thomas (iv)	226,396	-	3,279	-	9,013	-	-	148,635	387,323
A M Hooper-Nguyen (v)	286,533	-	4,420	-	25,788	-	-	134,500	451,241
A D Dimsey (vi)	249,995	-	-	-	22,500	-	-	134,500	406,995
D J Poynton	270,000	-	3,000	-	37,800	-	-	-	310,800
R J Weeden	270,000	-	3,000	-	37,800	-	-	-	310,800
	2,056,242	**-**	**18,119**	**-**	**192,973**	**-**	**121,212**	**806,114**	**3,194,660**

Directors' report (cont)
Remuneration report (audited) (cont)

REMUNERATION OF KEY MANAGEMENT PERSONNEL (cont)

Table 2

2011	Short-term employee benefits				Post-Employment Benefits	Other long term employee benefits	Termination benefits	Share-based payments	Total
	Salary and fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	$	$	$	$
Non-executive directors									
J W Schneider (vii)	7,392	-	-	-	1,035	-	-	-	8,427
T M Clifton	52,365	-	-	-	11,006	-	-	-	63,371
D C Wrench	47,167	-	-	-	6,603	-	-	-	53,770
T R B Goyder (ix)	34,556	-	-	-	4,838	-	-	-	39,394
Executive officers									
S M Ashton	308,908	-	-	-	43,247	-	-	66,875	419,030
D J O'Keeffe (viii)	202,344	-	4,695	-	28,328	-	16,169	30,750	282,286
D J Poynton	221,125	-	9,000	-	30,957	-	-	52,725	313,807
R J Weeden	221,125	-	2,915	-	30,958	-	-	52,725	307,723
A J Brazier (x)	267,013	-	3,000	-	19,188	-	-	28,299	317,500
A J Traicos (xi)	146,425	-	-	-	40,685	-	134,906	4,918	326,934
B A Thomas (iv)	156,062	-	2,446	-	10,458	-	-	41,950	210,916
	1,645,407	**-**	**22,056**	**-**	**246,378**	**-**	**151,075**	**278,242**	**2,343,158**

(i) Mr Ashton resigned as Managing Director on 30 September 2011 but continued as a director on annual fee of $40,000.
(ii) Mr Uliel was appointed to the board on 29 September 2011.
(iii) Mr Wrench was appointed Managing Director on 1 October 2011.
(iv) Mr Thomas commenced employment on 1 October 2010 and was appointed to the board on 29 September 2011.
(v) Mr Hooper-Nguyen was appointed on 18 July 2011.
(vi) Mr Dimsey was appointed on 1 September 2011 and resigned on 29 June 2012.
(vii) Mr Schneider resigned from the board on 19 August 2010.
(viii) Mr O'Keefe resigned from the board on 23 March 2011.
(ix) Mr Goyder was appointed to the board on 19 August 2010.
(x) Mr Brazier resigned on 17 June 2011.
(xi) Mr Traicos resigned on 25 March 2011.

No director or key management personnel exercised remuneration otptions in the year ended 30 June 2012 (2011: Nil).

Employee share option incentive plan

Strike Energy Limited operates an ownership-based scheme for the employees of the Consolidated Entity. On 12 August 2004, the directors approved the Employee Share Incentive Option Plan (Plan). Under the Plan up to five percent of the Company's ordinary shares on issue can be offered at any one time to directors, employees and consultants directly engaged in corporate, project development, exploration and evaluation work for the Consolidated Entity.

Typically, options are issued under the following vesting conditions:

- 50% of each issue becomes exercisable on the first anniversary after the date of issue, and the balance is exercisable on the second anniversary after the date of issue. The exercise price of the options is determined by the directors at the time of issue.

The maximum term of the options is five years.

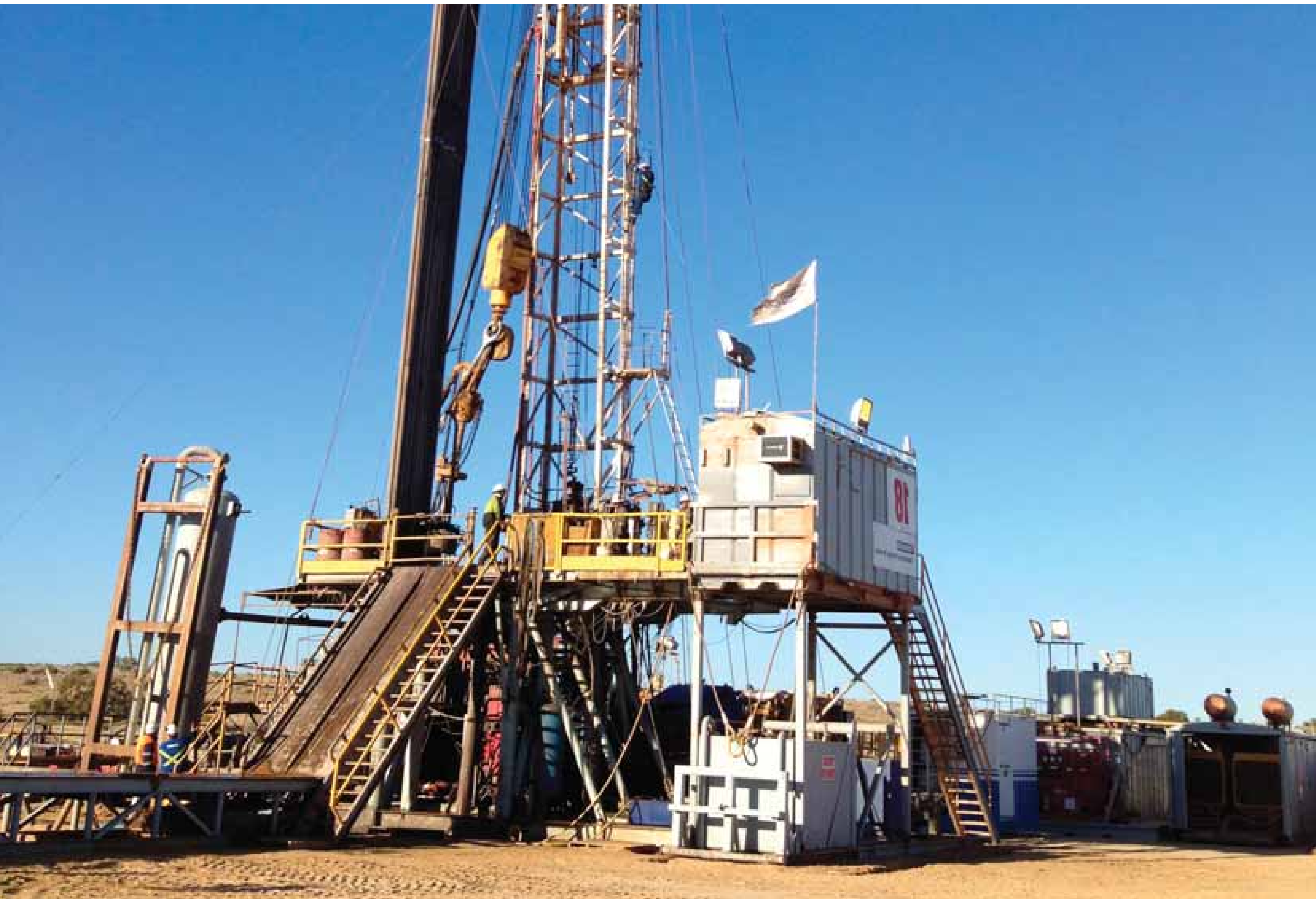
The options are convertible into fully paid ordinary shares of the Company on a one for one basis. Options are granted at no cost under the Plan and carry no dividend or voting rights.

Options issued in the current year have varying vesting conditions as indicated in the table below.

At the end of the financial year, the following share-based payment arrangements were in existence:

Options series/ Grant date	Expiry date	Grant date fair value	Exercise price of options	Number of options
Issued 26 October 2009 (i)	26 October 2012	$0.11	0.35	2,750,000
Issued 17 November 2009 (i)	17 November 2012	$0.11	0.40	1,500,000
Issued 23 November 2009 (i)	23 November 2012	$0.12	0.40	2,000,000
Issued 21 October 2010 (ii)	21 October 2013	$0.07	0.32	775,000
Issued 21 October 2010 (ii)	21 October 2013	$0.08	0.25	500,000
Issued 3 October 2011 (ii)	3 October 2016	$0.05	0.20	5,000,000
Issued 18 November 2011 (i)	18 November 2016	$0.08	0.20	6,500,000
Issued 18 November 2011 (iii)	18 November 2016	$0.07	0.20	3,000,000
Issued 18 November 2011 (iv)	18 November 2018	$0.08	0.20	3,000,000
				25,025,000

(i) Vests 50% at 12 months from date of grant, 50% at 24 months from date of grant.
(ii) Vests at grant date.
(iii) Vests two years from date of grant and closing price of the shares on the ASX being $0.35 or greater on five consecutive trading days.
(iv) Vests two years from date of grant and closing price of the shares on the ASX being $0.80 or greater on five consecutive trading days.



Directors' report (cont)
Remuneration report (audited) (cont)

REMUNERATION OF KEY MANAGEMENT PERSONNEL (cont)

The following grants of share-based payment compensation to directors and senior management relate to the current financial year:

Name	Option series/ Grant date	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
D C Wrench	18 November 2011	10,000,000	2,000,000	20%	-	55.58%
B A Thomas	18 November 2011	2,500,000	1,250,000	50%	-	38.38%
A M Hooper-Nguyen	3 October 2011	2,500,000	2,500,000	100%	-	30.10%
A D Dimsey	3 October 2011	2,500,000	2,500,000	100%	-	33.05%

The following table summarises the value of options granted, exercised or lapsed during the financial year to directors and senior management:

Name	Value of options granted at the grant date (i) $	Exercise price of options $	Value of options exercised at the exercise price $	Value of options lapsed at the date of lapse (ii) $
D C Wrench	375,104	0.20	-	-
B A Thomas	72,188	0.20	-	-
A M Hooper-Nguyen	134,500	0.20	-	-
A D Dimsey	134,500	0.20	-	-
S M Ashton	-	0.30	-	105,000
D J Poynton	-	0.20	-	44,000
R J Weeden	-	0.32	-	44,000

(i) The value of share options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.
(ii) The value of share options lapsed during the period due to options expiring at the end of their 3 year term and share price has been below the exercise price or the failure to satisfy vesting conditions.

KEY TERMS OF EMPLOYMENT CONTRACTS

D C Wrench, Managing Director

Term of agreement – no fixed term.
Base salary, inclusive of superannuation, of $381,500 at 30 June 2012.
Notice period – three months.
No termination benefit is specified in the agreement.

B A Thomas, President Strike USA

Term of agreement – no fixed term.
Base salary of US$300,000 as at 30 June 2012.
Notice period – three months.
No termination benefit is specified in the agreement.

A M Hooper-Nguyen, Chief Financial Officer/Chief Commercial Officer

Term of agreement – no fixed term.
Base salary, inclusive of superannuation, $327,000 as at 30 June 2012.
Notice period – one month.
No termination benefit is specified in the agreement.

D J Poynton, Manager – Exploration and Environment

Term of agreement – no fixed term.
Base salary, inclusive of superannuation, of $307,800 as at 30 June 2012.
Notice period – one month.
No termination benefit is specified in the agreement.

R J Weeden, Manager – Geoscience

Term of agreement – no fixed term.
Base salary, inclusive of superannuation, of $307,800 as at 30 June 2012.
Notice period – one month.
No termination benefit is specified in the agreement.

S L Michels – Company Secretary/Financial Controller

Term of agreement – no fixed term, permanent part-time.
Hourly rate of $87.20 inclusive of superannuation as at 30 June 2012.
Notice period – one month.
No termination benefit is specified in the agreement.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

D C Wrench
Managing Director
Sydney, New South Wales
25 September 2012

Auditor's independence declaration

Deloitte.

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

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The Board of Directors
Strike Energy Limited
10 Ord Street
West Perth WA 6005

25 September 2012

Dear Board Members,

Auditor's Independence Declaration to 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 audit of the financial statements of Strike Energy Limited for the financial year ended 30 June 2012, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Strike Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Strike Energy Limited, which comprises the statement of financial position as at 30 June 2012, the income statement, statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 34 to 94.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Strike Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 27 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Strike Energy Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 25 September 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;

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 give a true and fair view of the financial position and performance of the Company and the consolidated entity;

c) in the directors' opinion, the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2; and

d) the directors have been given the declarations required by s.295A of the Corporations Act.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

D C Wrench
Managing Director
Sydney, New South Wales

25 September 2012

Index to the financial report

Consolidated income statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $'000	2011 $'000
Revenue from oil and gas sales	5(a)	**4,716**	8,296
Cost of sales	5(b)	**(1,821)**	(2,777)
Gross profit		**2,895**	5,519
Other revenue	5(c)	**1,540**	3,045
Other income	5(d)	**571**	599
Exploration and evaluation expenditure	5(e)	**(11,952)**	(12,260)
Gain on disposal of oil and gas production assets	5(f)	**-**	3,799
Corporate expenses		**(761)**	(524)
Amortisation and depreciation	5(g)	**(1,171)**	(2,266)
Employee benefits expense		**(3,830)**	(3,827)
Finance costs	5(h)	**-**	(364)
Other expenses		**(1,719)**	(1,864)
Loss before income tax		**(14,427)**	(8,143)
Income tax expense	6	**-**	-
Loss for the year		**(14,427)**	(8,143)
Loss for the year attributable to the owners of the Company		**(14,427)**	(8,143)

	Note	2012	2011
Earnings per share			
- basic (cents per share)	18	**(3.02)**	(2.48)
- diluted (cents per share)	18	**(3.02)**	(2.48)

Notes to the financial statements are included on pages 39 to 94.

Consolidated statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	$'000	$'000
Loss for the year	**(14,427)**	(8,143)
Other comprehensive income		
Exchange differences realised on disposal of assets	-	2,597
Exchange differences on translation of foreign operations	**811**	(6,380)
Cash flow hedges		
Reclassification adjustments relating to termination of hedge contracts during the year	-	189
Reversal of fixed asset revaluation reserve on sale	-	(82)
Income tax relating to revaluation reserve	-	24
Total comprehensive income for the year	**(13,616)**	(11,795)
Total comprehensive income attributable to the owners of the Company	**(13,616)**	(11,795)

Notes to the financial statements are included on pages 39 to 94.

Consolidated statement of financial position

AS AT 30 JUNE 2012

		Consolidated	
		2012	**2011**
	Note	**$'000**	**$'000**
ASSETS			
Current assets			
Cash and cash equivalents	7	**16,502**	2,667
Trade and other receivables	8	**670**	943
Other financial assets	9	**2,386**	3,387
Total current assets		**19,558**	6,997
Non-current assets			
Other financial assets	9	**293**	258
Exploration and evaluation expenditure	10	**40,072**	25,152
Oil and gas production assets	11	**4,906**	3,152
Property, plant and equipment	12	**327**	386
Total non-current assets		**45,598**	28,948
TOTAL ASSETS		**65,156**	35,945
LIABILITIES			
Current liabilities			
Trade and other payables	13	**3,381**	1,540
Provisions	14	**125**	203
Borrowings	15	**2**	-
Total current liabilities		**3,508**	1,743
Non-current liabilities			
Trade and other payables	13	**444**	-
Provisions	14	**238**	390
Borrowings	15	**4**	-
Total non-current liabilities		**686**	390
TOTAL LIABILITIES		**4,194**	2,133
NET ASSETS		**60,962**	33,812
EQUITY			
Issued capital	16	**98,480**	58,894
Reserves	17	**(2,276)**	(4,267)
Accumulated losses		**(35,242)**	(20,815)
TOTAL EQUITY		**60,962**	33,812

Notes to the financial statements are included on pages 39 to 94.

Consolidated statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Fully paid ordinary shares	Asset revaluation reserve	Share-based payments reserve	Foreign currency translation reserve	Hedge reserve	Total reserves	Accu-mulated losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	58,894	58	2,063	(2,930)	(189)	(998)	(12,672)	45,224
Loss for the year	-	-	-	-	-	-	(8,143)	(8,143)
Exchange differences realised on disposal of assets	-	-	-	2,597	-	2,597	-	2,597
Other comprehensive income for the year	-	(58)	-	(6,380)	189	(6,249)	-	(6,249)
Total comprehensive income for the year	-	(58)	-	(3,783)	189	(3,652)	(8,143)	(11,795)
Recognition of share-based payments (note 17)	-	-	383	-	-	383	-	383
Balance at 30 June 2011	58,894	-	2,446	(6,713)	-	(4,267)	(20,815)	33,812
Balance at 1 July 2011	**58,894**	**-**	**2,446**	**(6,713)**	**-**	**(4,267)**	**(20,815)**	**33,812**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(14,427)**	**(14,427)**
Other comprehensive income for the year	**-**	**-**	**-**	**811**	**-**	**811**	**-**	**811**
Total comprehensive income for the year	**-**	**-**	**-**	**811**	**-**	**811**	**(14,427)**	**(13,616)**
Issue of ordinary shares during the year	**42,444**	**-**	**-**	**-**	**-**	**-**	**-**	**42,444**
Share issue costs	**(2,858)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,858)**
Recognition of share-based payments (note 17)	**-**	**-**	**1,180**	**-**	**-**	**1,180**	**-**	**1,180**
Balance at 30 June 2012	**98,480**	**-**	**3,626**	**(5,902)**	**-**	**(2,276)**	**(35,242)**	**60,962**

Notes to the financial statements are included on pages 39 to 94.

Consolidated cash flow statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Receipts from sales of oil and gas		**4,975**	10,031
(Payments)/Receipts from joint venture recoveries		**(26)**	295
Interest received		**226**	45
Payments to suppliers and employees		**(6,754)**	(7,737)
Interest and other costs of finance paid		**-**	(111)
Net cash (used in)/provided by operating activities	23	**(1,579)**	2,523
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		**(22,060)**	(19,932)
Payments for oil and gas production assets		**(2,667)**	(2,831)
Proceeds from disposal of US oil and gas production assets		**-**	20,862
Payments for property, plant & equipment		**(53)**	(225)
Payments for other financial assets		**(25)**	-
Receipt/(Payments) of security bonds		**103**	(225)
Net cash used in investing activities		**(24,702)**	(2,351)
Cash flows from financing activities			
Proceeds from issue of shares		**42,439**	-
Payments for share issue costs		**(2,441)**	-
Proceeds from borrowings		**-**	1,059
Repayment of borrowings		**-**	(6,715)
Payments for transaction costs on borrowings		**-**	(86)
Net cash provided by/(used in) financing activities		**39,998**	(5,742)
Net increase/(decrease) in cash and cash equivalents		**13,717**	(5,570)
Cash and cash equivalents at the beginning of the financial year		**2,667**	8,125
Effects of exchange rate changes on the balance of cash held in foreign currencies		**118**	112
Cash and cash equivalents at the end of the financial year	7	**16,502**	2,667

Notes to the financial statements are included on pages 39 to 94.

Notes to the financial statements

1. GENERAL INFORMATION

Strike Energy Limited is a public 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 Consolidated Entity are described in the Directors' Report, on pages 15 to 27.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, accounting standards and interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 25 September 2012.

(b) Basis of preparation

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

(c) Application of new and revised accounting standards

In the current year, the Consolidated Entity has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to operations and effective for the current annual reporting period. When required by the new and revised standards, comparative figures have been adjusted to conform to the changes in the presentation for the current financial year.

Notes to the financial statements (cont)

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(c) Application of new and revised accounting standards (cont)

Standards affecting presentation and disclosure

The following new and revised standards have affected presentation and disclosure.

Standard	
AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, AASB 2011-2 Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project - Reduced Disclosure Requirements	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.

The adoption of these new and revised standards and interpretations has not resulted in changes to the Consolidated Entity's accounting policies and has not affected the amounts reported for the current or prior years.

Standards and Interpretations affecting the results or financial position

There are no new and revised Standards and Interpretation adopted in these financial statements affecting the reporting results or financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(c) Application of new and revised accounting standards (cont)

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard	
AASB 2010-5 Amendments to Australian Accounting Standards	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 Amendments to Australian Accounting Standards-Disclosures on Transfers of Financial Assets	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Assets	The application of AASB 2010-9 has not had any material effect on amounts reported in the financial statements.

Notes to the financial statements (cont)

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(c) Application of new and revised accounting standards (cont)

Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	30 June 2014
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	1 January 2013	30 June 2014
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(c) Application of new and revised accounting standards (cont)

Standards and Interpretations issued but not yet effective (cont)

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 10 Consolidated Financial Statements	1 January 2013*	30 June 2014
AASB 11 Joint Arrangements	1 January 2013*	30 June 2014
AASB 12 Disclosure of Interests in Other Entities	1 January 2013*	30 June 2014
AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013	30 June 2014
AASB 127 Separate Financial Statements (2011)	1 January 2013*	30 June 2014
AASB 128 Investments in Associates and Joint Ventures (2011)	1 January 2013*	30 June 2014
AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011), AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	1 January 2013	30 June 2014
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidated and Joint Arrangements Standards	1 January 2013*	30 June 2014
AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement-Reduced Disclosure Requirements	1 July 2013	30 June 2014
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures-Offsetting Financial Assets and Financial Liabilities (AASB 7 & AASB 132)	1 January 2013	30 June 2014
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	1 January 2013	30 June 2014
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (AASB 132)	1 January 2014	30 June 2015

* Entities early adopting this standard must also adopt the other standards included in the 'suite of six'.

At 30 June 2012 directors have not assessed the impact on the Company of the Standards and Interpretations that are issued but not yet effective.

Notes to the financial statements (cont)

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries), referred to as the "Group" or "Consolidated Entity" in these financial statements.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and generally includes a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(e) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (ie: the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(e) Business combinations (cont)

At the acquisition date, the identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112: *Income Taxes* and AASB 119: *Employee Benefits* respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2: *Share-based Payment*; and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5: *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(f) Joint venture arrangements

Jointly controlled assets

Interests in jointly controlled assets in which the Group is a venturer and has joint control are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Group's share of expenses incurred by or in respect of each joint venture. The Group also recognises income from the sale or use of output from the joint venture in accordance with the revenue policy in note 2(i).

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

Jointly controlled operations

Where the Group is a venturer and so has joint control in a jointly controlled operation, the Group recognises the assets that it controls and the liabilities that it incurs, along with the expenses that it incurs and the Group's share of the income that it earns from the sale of goods or services by the joint venture.

The operation of joint ventures characterised as "jointly controlled operations" involve the use of goods or services by the joint venture.

Notes to the financial statements (cont)

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(f) Joint venture arrangements (cont)

Jointly controlled entities

Interests in jointly controlled entities in which the Group is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Investments in jointly controlled entities where the Group is an investor but does not have joint control over that entity are accounted for as an available-for-sale financial asset or, if the Group has significant influence, by using the equity method.

(g) Foreign currency

The individual financial records of each Group entity are maintained in its functional currency, being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Strike Energy Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the Consolidated Entity's presentation currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income or expense and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

Hybrid Energy Australia Pty Limited is a material operating subsidiary that has an Australian dollar functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

The following material operating subsidiaries have a US dollar functional currency:

- Strike Energy Eagle Ford LLC
- Strike Oil Corp
- Strike Oil Louisiana LLC

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and trade allowances paid. Revenue is recognised for the major business activities as follows:

(i) Oil and gas sales

Revenue from the sale of oil and gas is recognised when the product passes from the Group, when selling prices are known or can be reasonably estimated and when the product is in a form that requires no further treatment by the Group.

(ii) Interest revenue

Interest revenue from investments in cash is recognised in the income statement in the period in which it is earned, as this represents the pattern of legal benefit to the Group.

(iii) Joint venture revenue

The Group recognises revenue from recoveries received from joint venture partners and the Group's projects in respect of reimbursements for operating expenses incurred in relation to the operations of the joint ventures.

(j) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Generally, fair value is measured by use of the Black-Scholes model. The expected life assumptions used in the models have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 25.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

(j) Share-based payments (cont)

The policy described above is applied to all equity-settled share based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(l) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(l) Income tax (cont)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

(m) Tax consolidation

Australian tax legislation prescribes that the Group's US assets are exempt from the Australian taxation system. Similarly, the Group's Australian operations are quarantined from US taxation.

The Group's Australian subsidiaries have not been consolidated for Australian taxation purposes.

The Group's US subsidiaries have been consolidated for US taxation purposes.

(n) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value and have a maturity of three months or less at the date of acquisition.

(o) Investments and other financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements.

Notes to the financial statements (cont)

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(o) Investments and other financial assets (cont)

Other financial assets are classified into the following specified categories: financial assets "at fair value through the profit or loss", "held-to-maturity investments", "available-for-sale" financial assets, and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value in determined in the manner described in note 24.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(o) Investments and other financial assets (cont)

Available-for-sale financial assets

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at cost or amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. For impairment loss for financial asset carried at cost, such impairment will not be reversed in subsequent periods.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity. When an available-for-sale equity instruments is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the financial statements (cont)

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(p) Financial instruments issued by the Company

Fair value of derivatives and other financial instruments

Management uses their judgement in selecting an appropriate, generally accepted valuation technique for financial instruments not quoted in an active market. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates. Details of assumptions used and of the end results of sensitivity analyses regarding these assumptions are provided in note 24.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either: (i) financial liabilities at fair value through profit or loss; or (ii) other financial liabilities.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method (refer note 2(o)), with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(q) Derivative financial instruments

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Movements in the hedging reserve in equity are also detailed in the Statement of Changes in Equity.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires, is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss and included in the "other expenses" or "other income" line of the income statement.

Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss when the foreign operation is disposed of.

Notes to the financial statements (cont)

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(r) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(s) Exploration and evaluation expenditure

Exploration and evaluation expenditure costs capitalised represents an accumulation of costs incurred over separate areas of interest for which rights of tenure are current and where:

(i) Such costs are expected to be recouped through successful development and exploitation, or alternatively, by the sale of the area of interest; or

(ii) Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment or evaluation of the existence of economically recoverable hydrocarbon reserves.

Exploration and evaluation expenditure is impaired through the income statement under the successful efforts method of accounting, in the period that exploration work demonstrates that an area of interest or any part thereof, is no longer prospective for economically recoverable hydrocarbon reserves or when the decision to abandon an area of interest is made.

The recoverability of exploration and evaluation expenditure is contingent upon successful development and commercial exploitation, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and upon meeting commitments under the terms of permits granted and joint venture agreements.

Upon technical feasibility and commercial viability of an area of interest, capitalised exploration and evaluation expenditure for that area of interest is transferred from exploration and evaluation expenditure to oil and gas production assets.

(t) Oil and gas production assets

Oil and gas production assets capitalised represents the accumulation of all exploration and evaluation expenditure incurred by the Consolidated Entity in relation to areas of interest in which oil and gas production has commenced. Amounts are carried at cost including construction and installation of infrastructure, such as roads. Repairs and maintenance are charged to the income statement during the financial period in which they are recognised.

Expenditure on oil and gas production areas of interest and any future expenditure necessary to develop proven and probable reserves to meet current commitments under sales contracts, are amortised using the units of production method or on a basis consistent with the recognition of revenue. The carrying value is assessed for impairment in accordance with note 2(w).

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest and the economically recoverable reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(u) Provision for site restoration and rehabilitation

A provision for site restoration and rehabilitation is recognised when there is an obligation as a result of production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites/wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to development and production facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(v) Property, plant and equipment

Property, plant and equipment are carried in the statement of financial position at fair value, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value is determined on the basis of an independent valuation prepared by external valuation experts. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which 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 revaluation reserve relating to a previous revaluation of that asset.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a diminishing basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the financial statements (cont)

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(v) Property, plant and equipment (cont)

The following useful lives are used in the calculation of depreciation:

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

(w) Impairment of long-lived assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 2(v)).

(x) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(y) Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method (refer note 2(o)).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, but if it did, the borrowing costs directly associated with the asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(z) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(aa) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for site restoration and rehabilitation are described in note 2(u).

2. SIGNIFICANT ACCOUNTING POLICIES (cont)

(bb) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(cc) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(dd) Comparative amounts

Where required by the accounting standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Consolidated Entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and other key sources of estimation uncertainty at statement of financial position date that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at statement of financial position date or within the next financial year are as follows:

Impairment of exploration and evaluation expenditure and oil and gas production assets

The Consolidated Entity reviews the carrying value of exploration and evaluation expenditure and oil and gas production assets at least on a bi-annual basis. This requires judgement as to the status of the individual projects and their future economic value as generally assets cannot be carried at an amount greater than their *Fair Value* or *Value-In-Use*.

(i) Fair Value: the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction;

(ii) Value-in-Use: involves estimating the future cash inflows and outflows that will be derived from the use of the asset and from its ultimate disposal, and discounting them at an appropriate rate.

Impairment of property, plant and equipment

The Consolidated Entity determines whether property, plant and equipment are impaired at least on a bi-annual basis. This requires an estimation of the recoverable amount of cash-generating units to which the property, plant and equipment are allocated, where applicable. Refer to note 12.

Oil and gas reserves

The Consolidated Entity amortises oil and gas production assets using the units-of-production accounting method based on the ratio of actual production to remaining proved reserves as estimated by independent certification agencies and/or internal Company estimates. The ratio is also used to determine the appropriate period to discount site restoration provisions. Refer to note 11.

Notes to the financial statements (cont)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont)

Site restoration provision

The Consolidated Entity reviews the carrying value of the site restoration provision at least on a bi-annual basis. The value of the provision represents the discounted value of the present obligation to dismantle and restore existing oil and gas production facilities, based on estimates made by the operator of the Texas based joint venture in which the Consolidated Entity participates.

The discounted value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate. A change in any, or a combination, of the three key assumptions used to determine the provisions could have a material impact to the carrying value of the provision. Refer to note 14.

Deferred tax assets and liabilities

The Consolidated Entity is subject to income taxes in Australia and USA. Judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Refer to note 6.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a valuation model using assumptions detailed in note 25.

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- Future increases in wages and salaries;
- Future on-cost rates; and
- Experience of employee departures and period of service.

4. SEGMENT INFORMATION

At 30 June 2010, the Group's management reporting was expanded to report performance by both business activity and geographical location. The reportable segments at 30 June 2012 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.

Revenue and results

	Australia Exploration $'000		Australia Production $'000		USA Exploration $'000		USA Production $'000		Group $'000	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Segment revenue										
Revenue from oil & gas sales	**-**	-	**174**	70	**-**	-	**4,542**	8,226	**4,716**	8,296
Cost of sales	**-**	-	**(60)**	(28)	**-**	-	**(1,761)**	(2,749)	**(1,821)**	(2,777)
Gross profit	**-**	-	**114**	42	**-**	-	**2,781**	5,477	**2,895**	5,519
Amortisation	**-**	-	**-**	-	**-**	-	**(1,069)**	(2,158)	**(1,069)**	(2,158)
Exploration and evaluation expenditure	**(384)**	(1,099)	**-**	-	**(11,568)**	(11,154)	**-**	(7)	**(11,952)**	(12,260)
Segment result	**(384)**	(1,099)	**114**	42	**(11,568)**	(11,154)	**1,712**	3,312	**(10,126)**	(8,899)
Other income									**2,111**	3,644
Gain on disposal production assets									**-**	3,799
Corporate expenses									**(761)**	(524)
Depreciation									**(102)**	(108)
Employment benefits expense									**(3,830)**	(3,827)
Finance costs									**-**	(364)
Other expenses									**(1,719)**	(1,864)
Loss before income tax									**(14,427)**	(8,143)

The revenue reported above represents revenue generated from external customers. There were no intersegment revenues during the period (2011: Nil). The segment result represents profits/losses recorded 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.

Notes to the financial statements (cont)

4. SEGMENT INFORMATION (cont)

Segment assets and liabilities

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

	Assets		Liabilities	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Australia – Exploration	**18,153**	13,440	**2,438**	18
Australia – Production	**130**	127	**-**	-
USA – Exploration	**23,905**	14,881	**783**	837
USA – Production	**5,437**	3,903	**222**	256
	47,625	32,351	**3,443**	1,111
Unallocated assets and liabilities	**17,531**	3,594	**751**	1,022
	65,156	35,945	**4,194**	2,133

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than investments in associates, other financial assets derivatives and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than other financial liabilities, current and deferred tax liabilities, and other liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

	Amortisation		Additions to non-current assets	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Australia – Exploration	-	-	4,843	4,232
Australia – Production	-	-	2	-
USA – Exploration	-	-	10,076	15,353
USA – Production	1,069	2,158	1,754	2,831
	1,069	2,158	**16,675**	22,416

Information about major customers

Included in revenue from oil and gas sales of $4,716,000 (2011: $8,296,000) are revenues of approximately $3,894,000 (2011: $3,734,000) which arose from sales to the Group's largest customer.

Information about major products and services

Details about the revenues for each product is disclosed in note 5(a).

5. REVENUE AND EXPENSES

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Revenue		
Gas sales	**2,576**	6,153
Oil sales	**2,140**	2,143
	4,716	8,296
(b) Cost of sales		
Production costs	**428**	445
Royalties and taxes	**1,393**	2,332
	1,821	2,777
(c) Other revenue		
Interest income from non-related parties	**303**	45
Joint venture recoveries	**1,237**	3,000
	1,540	3,045
(d) Other income		
Realised foreign exchange gains	**4**	-
Unrealised foreign exchange gains	**406**	-
Settlement of cash flow hedge derivative	**-**	465
(Loss)/Gain on sale of property, plant and equipment	**(11)**	37
Other	**172**	97
	571	599
(e) Exploration and evaluation expenditure		
Exploration and evaluation expenditure	**11,952**	12,260
(f) Gain on disposal of oil and gas production assets		
Mesquite and Rayburn production assets*	**-**	3,799
* Includes $2,346,000 in exchange losses which have been recycled from the foreign currency translation reserve.		
(g) Amortisation and depreciation		
Amortisation – oil and gas production assets	**1,069**	2,158
Depreciation – property, plant and equipment	**102**	108
	1,171	2,266
(h) Finance costs		
Interest on bank loan	**-**	103
Commitment fees	**-**	7
Transaction cost amortisation	**-**	254
	-	364
(i) Miscellaneous expenses		
Loss before income tax has been arrived at after charging/(crediting):		
Minimum rental payments – operating leases	**436**	427
Superannuation – defined contribution plan	**347**	369
Net foreign exchange loss	**-**	251
Termination benefits	**-**	229
Equity-settled share-based payments	**769**	383

Notes to the financial statements (cont)

6. INCOME TAXES

Income tax recognised in the income statement

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Tax expense/(income) comprises:		
Current tax expense/(income) in respect of the current year	**(4,922)**	(1,858)
Benefit arising from previously unrecognised tax losses, tax credits or temporary difference of a prior period that is used to reduce current tax expense	**-**	-
	(4,922)	(1,858)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**281**	(1,720)
Effect of tax losses	**4,641**	3,578
	4,922	1,858
Total tax expense/(income)	**-**	-

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated	
	2012	**2011**
	$'000	**$'000**
(Loss)/profit from operations	**(14,427)**	(8,143)
Income tax (benefit)/expense calculated at 30%	**(4,328)**	(2,443)
Effect of expenses that are not deductible in determining taxable profit	**179**	7,776
Effect of tax concessions (research and development and other allowances)	**-**	(8,993)
Effect of different tax rate on US subsidiaries	**(492)**	82
Effect of tax losses not bought to account	**4,641**	3,578
	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	**-**	-
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

6. INCOME TAXES (cont)

Income tax recognised directly in equity

The following current and deferred amounts were charged/(credited) directly to equity during the period:

	Consolidated	
	2012 $'000	2011 $'000
Current tax	-	-
Deferred tax		
Arising on income and expenses taken directly to equity:		
Revaluation of property, plant and equipment	-	25
Current tax assets and liabilities		
Current tax assets	-	-
Current tax liabilities	-	-

Deferred tax balances

Deferred tax liabilities arising from the following:

2012	Consolidated					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Recycled from equity to income $'000	Acquisitions $'000	Closing balance $'000
Temporary differences						
Revaluation of property, plant and equipment	-	-	-	-	-	-
	-	-	-	-	-	-

2011	Consolidated					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Recycled from equity to income $'000	Acquisitions $'000	Closing balance $'000
Temporary differences						
Revaluation of property, plant and equipment	(25)	-	25	-	-	-
	(25)	-	25	-	-	-

Notes to the financial statements (cont)

6. INCOME TAXES (cont)

Unrecognised deferred tax assets

The following deferred tax assets have not been brought to account as assets:

	Consolidated	
	2012 $'000	2011 $'000
Tax losses – revenue	**17,716**	13,544
Temporary differences	**2,916**	2,732
	20,632	16,276

Unrecognised deferred tax liabilities

The following deferred tax liabilities have not been brought to account as liabilities:

	Consolidated	
	2012 $'000	2011 $'000
Temporary differences	**6,008**	5,431

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 $'000	2011 $'000
Cash and cash equivalents (i)	**6,502**	2,200
Short-term deposits (ii)	**10,000**	467
	16,502	2,667

(i) Cash at bank earns interest at floating rates based on daily deposit rates.
(ii) Short-term deposits are at call and earn interest at prevailing short term deposit rates.

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $'000	2011 $'000
Current		
Trade receivables (i)	**531**	751
GST receivable	**18**	17
Other receivables	**121**	175
	670	943

(i) The average credit period on current trade receivables is 60 days (2011: 60 days). All amounts were collected within the average credit period. An allowance is made when there is objective evidence that a trade receivable is impaired. There was no evidence that impairment existed at balance date (2011: Nil). There were no amounts that were past due but not considered to be impaired at balance date (2011: Nil).

9. OTHER FINANCIAL ASSETS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Advances [(i)]	**2,070**	3,121
Prepayments	**316**	153
Security bond	**-**	113
	2,386	3,387
Non-current		
Security bond	**293**	258
	293	258

(i) Advances represent payments made to operator corporations of USA joint ventures, in which the Group participates, for unused exploration and evaluation expenditure at 30 June 2012.

10. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the consolidated expenditures on interests in exploration and evaluation properties by area of interest for the year ended 30 June 2012:

Area of interest	Texas USA $'000	Louisiana USA $'000	Carnarvon Basin Australia $'000	FuturGas Project Australia $'000	Cooper-Eromanga Basin Australia $'000	Other $'000	Total $'000
Balance at 30 June 2011	**11,155**	**456**	**2,031**	**4,160**	**6,505**	**845**	**25,152**
Additions	**18,944**	**2,168**	**402**	**188**	**3,536**	**1,146**	**26,384**
	30,099	**2,624**	**2,433**	**4,348**	**10,041**	**1,991**	**51,536**
Exploration expenditure expensed – note 5(e)	**(9,269)**	**(2,299)**	**-**	**-**	**-**	**(384)**	**(11,952)**
Total exploration and evaluation expenditure	**20,830**	**325**	**2,433**	**4,348**	**10,041**	**1,607**	**39,584**
Foreign exchange movements	**484**	**(4)**	**-**	**-**	**-**	**8**	**488**
Balance at 30 June 2012	**21,314**	**321**	**2,433**	**4,348**	**10,041**	**1,615**	**40,072**

Notes to the financial statements (cont)

10. EXPLORATION AND EVALUATION EXPENDITURE (cont)

The following table details the consolidated expenditures on interests in exploration and evaluation properties by area of interest for the year ended 30 June 2011:

Area of interest	Texas USA $'000	Louisiana USA $'000	Carnarvon Basin Australia $'000	FuturGas Project Australia $'000	Cooper-Eromanga Basin Australia $'000	Other $'000	Total $'000
Balance at 30 June 2010	**7,446**	**358**	**1,885**	**3,427**	**4,297**	**652**	**18,065**
Additions	15,206	468	156	733	2,208	1,288	20,059
	22,652	826	2,041	4,160	6,505	1,940	38,124
Exploration expenditure expensed – note 5(e)	(10,825)	(322)	(10)	-	-	(1,095)	(12,252)
Total exploration and evaluation expenditure	11,827	504	2,031	4,160	6,505	845	25,872
Foreign exchange movements	(672)	(48)	-	-	-	-	(720)
Balance at 30 June 2011	**11,155**	**456**	**2,031**	**4,160**	**6,505**	**845**	**25,152**

11. OIL AND GAS PRODUCTION ASSETS

The following table details the consolidated expenditure on oil and gas production assets by area of interest for the years ended 30 June 2012 and 30 June 2011:

Area of interest	Texas, USA	
	2012 $'000	**2011 $'000**
Balance at 1 July	**3,152**	20,147
Additions	**2,667**	2,831
Costs transferred to exploration and evaluation expenditure	**-**	(6)
Disposals – Rayburn and Mesquite production assets	**-**	(14,865)
	5,819	8,107
Oil and gas production amortisation – note 5(g)	**(1,069)**	(2,158)
Oil and gas production assets expenditure movement	**4,750**	5,949
Foreign exchange movements	**156**	(2,797)
Balance at 30 June	**4,906**	3,152

Notes to the financial statements (cont)

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements at fair value $'000	Plant and equipment at fair value $'000	Furniture and fittings at fair value $'000	Computer equipment at fair value $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2010	133	50	62	577	822
Additions	151	14	84	11	260
Disposals	(132)	(42)	(39)	(24)	(237)
Balance at 1 July 2011	**152**	**22**	**107**	**564**	**845**
Additions	-	-	15	38	53
Disposals	-	(5)	(9)	(39)	(53)
Balance at 30 June 2012	**152**	**17**	**113**	**563**	**845**
Accumulated depreciation					
Balance at 1 July 2010	(102)	(27)	(26)	(377)	(532)
Disposals	121	27	14	19	181
Depreciation expense	(27)	(5)	(7)	(69)	(108)
Balance at 1 July 2011	**(8)**	**(5)**	**(19)**	**(427)**	**(459)**
Disposals	(30)	(5)	(13)	(54)	(102)
Depreciation expense	-	4	7	32	43
Balance at 30 June 2012	**(38)**	**(6)**	**(25)**	**(449)**	**(518)**
Net book value					
As at 30 June 2011	**144**	**17**	**88**	**137**	**386**
As at 30 June 2012	**114**	**11**	**88**	**114**	**327**

There was no depreciation during the period that was capitalised as part of the cost of other assets.

Property, plant and equipment carried at fair value

An independent valuation of the Group's property, plant and equipment was performed by Mr K Haslem of Australian Valuation Partners to determine the fair value of property, plant and equipment. The valuation conformed to Australian Valuation Standards. The effective date of the valuation was 1 July 2006. After allowing for accumulated depreciation, the directors are of the view that there were no significant changes to the fair value at 30 June 2012.

Had the Group's property, plant and equipment been measured on a historical cost basis, their carrying amount would have been as follows:

	Leasehold improvements $'000	Plant and equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Total $'000
Cost	169	19	18	430	636
Less accumulated depreciation	(169)	(19)	(18)	(430)	(636)
	-	-	-	-	-

13. TRADE AND OTHER PAYABLES

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Current		
Trade and other payables	**3,070**	1,244
Sundry payables and accrued expenses	**311**	296
	3,381	1,540
Non-current		
Trade and other payables	**444**	-

Trade payables are non-interest bearing and normally settled within 30 days (2011: 30 days).

14. PROVISIONS

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Current		
Employee benefits	**125**	203
Non-current		
Employee benefits	**223**	389
Site restoration	**15**	1
	238	390

Provision for site restoration has been recorded in relation to the Louise and Permian Clearfork production facilities for the costs of dismantling and demolition of infrastructure and the remediation of disturbed areas specific to the infrastructure to a state acceptable to various regulatory authorities. The provision is based on the estimated cost of restoring the production facilities. Final site restoration is not expected until the cessation of operations, currently estimated to be beyond 2020.

Movements in site restoration provision

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Balance at 1 July	**1**	69
Additional provision recognised	**15**	5
Write off provision on sale of Mesquite and Rayburn production assets	**-**	(63)
Foreign exchange movements	**(1)**	(10)
Balance at 30 June	**15**	1

Notes to the financial statements (cont)

15. BORROWINGS

	Consolidated	
	2012 **$'000**	**2011** **$'000**
Secured - at amortised cost		
Current		
Finance lease liabilities (note 21)	**2**	-
Non-current		
Finance lease liabilities (note 21)	**4**	-

16. ISSUED CAPITAL

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Number of shares		Issued capital	
	2012 **No. '000**	**2011** **No. '000**	**2012** **$'000**	**2011** **$'000**
Balance at beginning of financial year	**328,558**	328,558	**58,894**	58,894
Institutional placements during the year (i)	**191,931**	-	**29,892**	-
Non Renounceable rights issues during the year (ii)	**94,030**	-	**12,552**	-
Share issue costs during the year	**-**	-	**(2,858)**	-
Balance at end of financial year	**614,519**	328,558	**98,480**	58,894

(i) On 20 July 2011, $7.4 million was raised through the placement of 49,283,764 shares at issue price of $0.15 per share to institutional and sophisticated investors. On 23 December 2011, $2.5 million was raised through the placement of 25,000,000 shares at issue price of $0.10 per share to institutional and sophisticated investors. On 2 April 2012, $7.8 million was raised through the placement of 45,780,890 shares at issue price of $0.17 per share to institutional and sophisticated investors. Subsequent to the approval obtained at the Extraordinary General Meeting, on 3 May 2012, 71,866,169 shares at issue price of $0.17 per share were issued to raise $12.2 million from placement with institutional and professional investors.

(ii) On 22 August 2011, 26,645,176 non-renounceable 1 for 6 pro-rata entitlement rights at issue price of $0.15 per share were issued to raise $4.0 million and on 29 August 2011, the remaining 36,329,656 non-renounceable 1 for 6 pro-rata entitlement rights were underwritten to raise $5.4 million. On 31 January 2012, 31,055,579 non renounceable 1 for 15 pro-rata rights at issue price of $0.10 per share were issued to raise $3.1 million.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The total fully paid ordinary shares on issue at 30 June 2012 were 614,519,664 (2011: 328,558,430).

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 25 to the financial statements.

At 30 June 2012, Underwriters held options over 6,000,000 ordinary shares of the Company which will expire 31 August 2014. These options carry no rights to dividends and no voting rights.

17. RESERVES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Asset revaluation reserve	**-**	-
Share-based payments reserve	**3,626**	2,446
Foreign currency translation reserve	**(5,902)**	(6,713)
Hedge reserve	**-**	-
	(2,276)	(4,267)

Asset revaluation reserve

The asset revaluation reserve arises on the revaluation of property, plant and equipment – refer note 12. During the financial year 2011, the asset revaluation reserve was transferred to retained earnings as a result of disposing of the property, plant and equipment due to relocation of the corporate head office.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Asset revaluation reserve		
Balance at beginning of financial year	**-**	58
Transferred to retained earnings	**-**	(58)
Balance at end of financial year	**-**	-

Share-based payments reserve

The share-based payments reserve arises on the grant of share options to directors, senior management and employees under the Group's employee share option plan and the issue of options to underwriters. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 25 to the financial statements.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Share-based payments reserve		
Balance at beginning of financial year	**2,446**	2,063
Share-based payments	**769**	383
Options to underwriters	**411**	-
Balance at end of financial year	**3,626**	2,446

Notes to the financial statements (cont)

17. RESERVES (cont)

Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Foreign currency translation reserve		
Balance at beginning of financial year	**(6,713)**	(2,930)
Exchange differences realised on disposal of assets	**-**	2,597
Translation of foreign operations	**811**	(6,380)
Balance at end of financial year	**(5,902)**	(6,713)

Gains and losses transferred from equity into the income statement during the period are included in the following line items:

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Gain on disposal of oil and gas production assets – note 5(f)	**-**	3,799
Net foreign exchange loss – note 5(i)	**-**	(251)
	-	3,548

Hedge reserve

The hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss.

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Hedge reserve		
Balance at beginning of financial year	**-**	(189)
Close out hedges on settlement	**-**	189
Balance at end of financial year	**-**	-

18. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Consolidated	
	2012 $'000	**2011 $'000**
Net loss used in the calculation of basic earnings per share	**(14,427)**	(8,143)

	2012 No. '000	**2011 No. '000**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**477,403**	328,558

	2012 Cents per share	**2011 Cents per share**
Total basic earnings per share	**(3.02)**	(2.48)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2012 $'000	**2011 $'000**
Net loss used in the calculation of diluted earnings per share	**(14,427)**	(8,143)

	2012 No. '000	**2011 No. '000**
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**477,403**	328,558
Shares deemed to be issued for no consideration in respect of employee options	**-**	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**477,403**	328,558

	2012 Cents per share	**2011 Cents per share**
Total diluted earnings per share	**(3.02)**	(2.48)

18. EARNINGS PER SHARE (cont)

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	2012 No. '000	2011 No. '000
Employee options	**25,025**	13,435
Underwriter options	**6,000**	-
	31,025	13,435

19. PARENT ENTITY DISCLOSURES

	Consolidated	
	2012 $'000	**2011 $'000**
Assets		
Current assets	**11,730**	1,675
Non-current assets	**58,279**	32,059
Total assets	**70,009**	33,734
Liabilities		
Current liabilities	**535**	633
Non-current liabilities	**288**	460
Total liabilities	**823**	1,093
Net Assets	**69,186**	32,641
Issued capital	**98,480**	58,894
Share based payments reserve	**3,626**	2,446
Accumulated losses	**(32,920)**	(28,699)
	69,186	32,641
Loss for the year	**(4,222)**	(3,428)
Other comprehensive (loss)/income	**-**	(58)
Total comprehensive loss	**(4,222)**	(3,486)

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiaries and there exist neither contingent liabilities nor commitments for the acquisition of property, plant and equipment.

19. PARENT ENTITY DISCLOSURES (cont)

Investment in controlled entities

All investments comprise ordinary shares and all shares held are unquoted.

		Percentage interest held		Cost of Company's interest	
Name	**Country of incorporation**	**2012 %**	**2011 %**	**2012 $**	**2011 $**
Strike Oil Corp	USA	**100**	100	**13,374,430**	13,374,430
Strike E&P Corp (deregistered)	USA	**-**	100	**-**	-
Texas Strike Oil Management LLC (merged into Strike Energy Eagle Ford LLC)	USA	**-**	100	**-**	-
Strike Delaware LLC (deregistered)	USA	**-**	100	**-**	-
Strike Energy Eagle Ford LLC (formerly known as Texas Strike Oil LP)	USA	**100**	100	**-**	-
Colorado Strike Corp (deregistered)	USA	**-**	100	**-**	-
Strike Oil Louisiana LLC	USA	**100**	-	**-**	-
Strike Energy Wilcox LLC	USA	**100**	-	**-**	-
Strike Energy Permian Basin LLC	USA	**100**	-	**-**	-
Hybrid Energy Australia Pty Ltd (i)	Australia	**100**	100	**1**	1
Strike Energy Western Australia Pty Ltd (i)	Australia	**100**	100	**100**	100
Strike Energy South Australia Pty Ltd (i)	Australia	**100**	100	**1**	1
Strike Energy USA Pty Ltd (i)	Australia	**100**	100	**1**	1
Total investments in controlled entities				**13,374,533**	13,374,533

(i) These entities are not required to prepare or lodge audited accounts in Australia

Notes to the financial statements (cont)

20. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2012 $'000	2011 $'000
Commitments for permits and property leases contracted for at reporting date but not recognised as liabilities.		
Payable:		
Within one year	13,335	7,742
Total permit and lease commitments	**13,335**	**7,742**

These include commitments relating to permits and minimum expenditure requirements of the Western Australian, South Australian and Queensland regulatory authorities and property lease rentals attached to exploration and production properties in USA that are subject to re-negotiation upon expiry.

These are necessary in order to maintain the permits and leases in which the Group and other parties are involved. All parties are committed to meet the conditions under which the permits and leases were granted in accordance with the relevant legislation in Australia and USA.

21. LEASES

Operating leases

Leasing arrangements

The Company has a commercial property lease relating to the rental of its head office accommodation in West Perth. The non-cancellable lease has a remaining term of forty two months. The Company has provided a security bond of $225,000 (2011: $225,000) to the lessor. The bond is refundable upon expiry of the lease and vacation from the premises. Interest is earned on the balance at the standard term deposit rate of National Australia Bank (NAB) and is credited to the income statement. The average rate in 2012 was 5.60% (2011: 6.20%). The Company has entered into a sub-lease for part of the West Perth office accommodation. The non-cancellable lease has a remaining term of forty two months.

The Company has several operating leases for office equipment. The leases have remaining terms of between two months and three years and the rental payments are fixed for the life of each agreement. There is no option to purchase the leased assets at the end of each lease.

The Company had a commercial property lease for the rental of a serviced office in Adelaide, South Australia. The lease will terminate on 30 September 2012. No security bond was payable and there are no rental revision clauses included in the agreement.

The Company's wholly-owned subsidiary, Hybrid Energy Australia Pty Limited (Hybrid Energy) continued an office equipment lease during the year. The rental payments are fixed for the term of the agreement and it was terminated during the year.

21. LEASES (cont)

Operating leases (cont)

Future minimum rentals payable and receivable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Payable:		
Within one year	429	347
Later than one year but no later than five years	1,062	1,393
Total lease commitments	**1,491**	**1,740**
Receivable:		
Within one year	106	106
Later than one year but no later than five years	330	494
Total lease receivable	**436**	**600**

Finance lease

Leasing arrangements

A subsidiary in the US has office equipment under finance leases. The lease term is three years. The subsidiary has an option to purchase the equipment for a nominal amount at the end of the lease terms. The obligation under the finance lease is secured by the lessors' title to the leased asset.

Interest rate underlying all obligation under finance lease is 0.2% per annum.

	Minimum Lease Payments		Present value of minimum lease payments	
Finance lease liabilities	**2012 $'000**	**2011 $'000**	**2012 $'000**	**2011 $'000**
Within one year	**2**	-	**2**	-
Later than one year but no later than five years	**4**	-	**4**	-
	6	-	**6**	-
Less: Future finance charges	**-**	-	**-**	-
Present value of minimum lease payments	**6**	-	**6**	-

	Consolidated 2012 $'000	Consolidated 2011 $'000
Included in the consolidated financial statements:		
Current borrowings	**2**	-
Non-current borrowings	**4**	-
	6	-

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

Notes to the financial statements (cont)

22. JOINTLY CONTROLLED OPERATIONS AND ASSETS

(a) Interest in tenements

The Group is a participant in the following petroleum permits and mineral tenements and properties as at 30 June 2012:

Permit	Interest	Operator
Australia		
Carnarvon Basin		
EP 110	61.54%	Strike Energy Limited
EP 325	44.5%	Strike Energy Limited
EP 424	61.54%	Strike Energy Limited
WA 261P	19.94%	Apache Energy Limited
WA 460P (i)	33.33%	Strike Energy Limited
Cooper-Eromanga Basin		
PELA 71	75%	Strike Energy Limited
PEL 94	35%	Beach Energy Limited
PEL 95	50%	Beach Energy Limited
PEL 96	66.67%	Strike Energy Limited
PELA 515	100%	Strike Energy Limited
PELA 575 (i)	100%	Strike Energy Limited
ATP 549P - Cypress Block	5%	Australian Gasfields Limited
GEL 526 (Geothermal)	100%	Strike Energy Limited
GEL 527 (Geothermal)	100%	Strike Energy Limited
PPL 210	50%	Beach Energy Limited
Otway Basin		
PEL 127	100%	Hybrid Energy Australia Pty Ltd
EL 5476 (Mineral)	100%	Hybrid Energy Australia Pty Ltd
USA		
Texas		
Eaglewood JV area	40%	Cypress E&P Corporation
Eagle Ford JV area	27.5%	Cypress E&P Corporation
Louise project area	40%	Cypress E&P Corporation
Permian Clearfork project area (i)	25%	Torch Production Company, LLC
Louisiana		
Tigre Lagoon Prospect (i)	15%	Yuma E & P Company, Inc
Bateman Lake Project	17.5%	Texana Resource Partners, Ltd
St Landry Canyon Project (i)	10%	Holleman and Kenney, LLC

(i) These represent permits/projects acquired duing the financial year. All remaining permits/projects were unchanged from 30 June 2011.

22. JOINTLY CONTROLLED OPERATIONS AND ASSETS (cont)

(b) Interests in joint venture assets

The Group's interests in assets are detailed below. The assets are included in the consolidated financial report in their respective asset classes:

	Consolidated	
	2012 $'000	2011 $'000
Current assets		
Cash	**870**	33
Receivables	**15**	90
	885	123
Non-current assets		
Exploration and evaluation expenditure	**39,248**	19,551
Oil and gas production assets	**6,233**	3,384
Less accumulated amortisation	**(1,327)**	(233)
	44,154	22,702
Share of total assets of joint venture	**45,039**	22,825

(c) Capital commitments and contingent liabilities

Capital commitments arising from the Group's interests in joint ventures are disclosed in note 20. No other commitments or contingencies remained outstanding at 30 June 2012.

23. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit for the period to net cash flows from operating activities:

	Consolidated	
	2012 $'000	2011 $'000
Loss for year	**(14,427)**	(8,143)
Adjustments for:		
Amortisation and depreciation	**1,171**	2,266
Exploration and evaluation expenditure written off	**11,952**	12,260
Share-based payments expense	**769**	383
Loss/(Gain) on sale of property, plant and equipment	**11**	(37)
Gain on disposal of oil and gas production asset	**-**	(3,799)
(Loss)/Gain on foreign currency	**(418)**	251
Non-cash related cost recoveries	**(1,034)**	(2,248)
Transaction cost amortisation	**-**	254
Changes in the net assets and liabilities:		
Decrease in trade and other receivables	**147**	1,890
Increase/(Decrease) in trade and other payables	**544**	(653)
(Decrease)/Increase in provisions	**(294)**	99
Net cash from (used) in operating activities	**(1,579)**	2,523

Notes to the financial statements (cont)

24. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

The capital structure of the Group consists of cash and cash equivalents disclosed in note 7 and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as per the statement of changes in equity.

Operating cash flows are used to maintain and expand the Group's hydrocarbon exploration and production assets.

The Group's overall strategy remains unchanged from 2010.

Gearing ratio

At 30 June 2012, the Group has no debt.

(b) Financial risk management objectives

The Group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk, price and commodity risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using board-approved directives which underpin treasury's practices and policies which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the board on an ongoing basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports to the board.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 2.

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 2(g)) and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

24. FINANCIAL INSTRUMENTS (cont)

(d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters which may include forward foreign exchange contracts against specific obligations denominated in foreign currency. No forward foreign currency contracts were entered into during the year.

The financial instruments exposed to movements in the Australian/US dollar are as follows:

	Consolidated 2012 US$'000	Consolidated 2011 US$'000
Financial assets		
Cash and cash equivalents	**4,499**	1,567
Loans and receivables	**2,658**	4,159
Financial liabilities		
Loans and other payables	**112**	935
Borrowings	**6**	-

Foreign currency sensitivity analysis

The Group is exposed to US dollar currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and reflects management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the US dollar there would be an equal and opposite impact on the profit and other equity.

	Consolidated Post tax profits		Consolidated Other comprehensive income	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
10% increase				
Monetary items	**(4)**	(381)	**(624)**	(406)
10% decrease				
Monetary items	**5**	465	**762**	496

24. FINANCIAL INSTRUMENTS (cont)

(e) Commodity price risk management

The Group's revenue is exposed to commodity price fluctuations, in particular US natural gas prices.

The Group measures exposure to commodity risk by monitoring and testing the Group's forecast financial position to periods of low gas prices.

Commodity price sensitivity

There are no financial instruments held at the statement of financial position date that are sensitive to the movement in the commodity spot price, with all other variables held constant.

If the average of commodity prices during the year had increased/decreased by 10%, the Group's net profit after tax would increase/decrease by $454,000 (2011: $596,000). 10% is the sensitivity rate used when reporting commodity price risk internally to key management personnel.

(f) Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates and also earns interest at floating rates from its cash and cash equivalents. Currently the Group does not engage in any hedging or derivate transactions to manage interest rate risk.

The financial instruments exposed to movements in interest rates are as follows:

		Consolidated	
	Weighted average effective interest rate	2012 $'000	2011 $'000
Financial Assets			
Cash and cash equivalents	4.08%	**16,502**	2,667

Interest rate sensitivity

The following table summarises the sensitivity of the fair value of financial instruments held at statement of financial position date, following a movement to LIBOR, with all other variables held constant. The sensitivity analysis below is based on a 2% (200 basis points) increase and decrease in the average interest rate during the year. 2% is the sensitivity rate used when reporting interest rate risk internally to key management personnel. The analysis shows the impact on profit/(loss) for interest received and paid on US dollar denominated cash held and borrowings payable respectively.

	Consolidated	
	2012 $'000	2011 $'000
LIBOR +2% (200 basis points)	**5**	(1)
LIBOR -2% (200 basis points)	**(5)**	1

24. FINANCIAL INSTRUMENTS (cont)

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with recognised credit worthy counterparties, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist primarily of oil and gas sales revenue due from the operators of the US operations joint venture, Cypress E&P Corporation and Torch Energy Advisors.

The Company has undertaken credit evaluation and, as a result, does not consider Cypress E&P Corporation or Torch Energy Advisors a significant credit risk exposure to the Group. The credit risk on liquid funds is limited with all material balances retained in high credit-rated Australian banks.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Consolidated	Weighted average effective interest rate %	Less than 1 month $'000	1 - 3 months $'000	3 months to 1 year $'000	1 - 5 years $'000	5+ years $'000	Total $'000
2012							
Non-interest bearing	**-**	**2,711**	**459**	**211**	**444**	**-**	**3,825**
Variable interest instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2,711	**459**	**211**	**444**	**-**	**3,825**
2011							
Non-interest bearing	-	154	258	8,921	1,393	-	10,726
Variable interest instruments	-	-	-	-	-	-	-
		154	258	8,921	1,393	-	10,726

Notes to the financial statements (cont)

24. FINANCIAL INSTRUMENTS (cont)

(i) Fair value of financial instruments

The fair value representing the mark-to-market of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.

The fair value of financial instruments traded in active markets such as publicly traded available-for-sale assets are based on quoted market prices at the statement of financial position date. The quoted market price used for financial instruments held by the Group is the current bid price.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values as they are within agreed settlement terms.

At 30 June 2012 and 30 June 2011 the Group had no financial assets or liabilities where fair value did not approximate carrying value. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2012				
Financial assets at Fair Value				
Derivatives	-	-	-	-
Financial liabilities at Fair Value				
Financial lease liabilities	-	6	-	6
2011				
Financial assets at Fair Value				
Derivatives	-	-	-	-
Financial liabilities at Fair Value				
Financial lease liabilities	-	-	-	-

25. SHARE-BASED PAYMENTS

Employee share option plan

On 12 August 2004 the directors approved the Strike Oil Employee Share Incentive Option Plan (Plan). Staff that are eligible to participate in the Plan are those who have been continuously employed by the Company for a period of at least three months. Share options granted under the Plan are for no consideration. Typically, Plan share options are granted for a three year period, with 50% of each new tranche becoming exercisable one year after the date of grant, and the balance exercisable two years after the date of grant. Entitlements to the share options vest as soon as they become exercisable and conditions have been met. There are no cash settlement alternatives. Share options granted under the plan carry no dividend or voting rights. Shareholder approval of the Plan was renewed at the annual general meeting held on 19 November 2007.

Movement in share options during the financial year

The expense recognised in the income statement in relation to share-based payments is disclosed in note 5(i).

The following table illustrates the number (No.), weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at the beginning of the year	**13,435,000**	**0.31**	16,615,000	0.26
Granted (i)	**23,500,000**	**0.20**	2,525,000	0.31
Cancelled (ii)	**(800,000)**	**0.35**	(3,000,000)	0.25
Expired	**(5,110,000)**	**0.23**	(2,705,000)	0.30
Outstanding at year end	**31,025,000**	**0.24**	**13,435,000**	**0.27**
Exercisable at year end (iii)	**21,775,000**	**0.25**	11,310,000	0.26

(i) Options granted during the year include 6,000,000 options issued to the underwriters and 17,500,000 options issued under the Employee Share Option Plan.

(ii) Cancelled represents those share options held in which the attached vesting conditions have not been met. Under the terms of the Plan, such circumstances require cancellation of the share options unless such action is considered inappropriate by the directors.

(iii) Options exercisable at year end include 6,000,000 options issued to underwriters and 15,775,000 options issued under the Employee Share Option Plan.

Share options exercised during the financial year

There were no options exercised during the financial year (2011: Nil).

Notes to the financial statements (cont)

25. SHARE-BASED PAYMENTS (cont)

Share options outstanding at the end of the financial year

The balance of share options on issue at 30 June 2012 is represented by:

Date options granted	Date exercisable	Expiry date	Exercise price of options	Number under option	Fair value at grant date
26 October 2009	26 October 2011	26 October 2012	0.35	2,750,000	0.11
17 November 2009	17 November 2011	17 November 2012	0.40	1,500,000	0.11
23 November 2009	23 November 2011	23 November 2012	0.40	2,000,000	0.12
21 October 2010	21 October 2010	21 October 2013	0.32	775,000	0.07
21 October 2010	21 October 2010	21 October 2013	0.25	500,000	0.08
3 October 2011	3 October 2011	3 October 2016	0.20	5,000,000	0.05
18 November 2011	18 November 2011	31 August 2014	0.20	6,000,000	0.07
18 November 2011	18 November 2011	18 November 2016	0.20	6,500,000	0.08
18 November 2011	18 November 2013	18 November 2016	0.20	3,000,000	0.07
18 November 2011	18 November 2013	18 November 2018	0.20	3,000,000	0.08
				31,025,000	

The balance of share options on issue at 30 June 2011 is represented by:

Date options granted	Date exercisable	Expiry date	Exercise price of options	Number under option	Fair value at grant date
18 December 2008	18 December 2010	18 December 2011	0.30	1,500,000	0.07
24 March 2009	24 March 2011	24 March 2012	0.20	3,610,000	0.04
26 October 2009	26 October 2011	26 October 2012	0.35	2,750,000	0.11
17 November 2009	17 November 2011	17 November 2012	0.40	1,500,000	0.11
23 November 2009	23 November 2011	23 November 2012	0.40	2,000,000	0.12
21 October 2010	21 October 2010	21 October 2013	0.32	1,575,000	0.07
21 October 2010	21 October 2010	21 October 2013	0.25	500,000	0.08
				13,435,000	

The weighted average remaining contractual life for share options on issue at the end of the year was 3.15 years (2011: 1.24 years).

The weighted average of exercise prices for share options on issue at the end of the year was $0.24 (2011: $0.31).

The weighted average fair value of share options granted during the year was $0.07 (2011: $0.07).

The fair value of the equity-settled share options granted under the Plan is estimated as at the date of grant using the Binomial model taking into account the terms and conditions upon which the share options were granted.

25. SHARE-BASED PAYMENTS (cont)

The following table lists the inputs to the model used for the years ended 30 June 2012:

	3 Oct 2011	18 Nov 2011	18 Nov 2011	18 Nov 2011
Expiry date	3 Oct 2016	18 Aug 2014	18 Nov 2016	18 Nov 2018
Dividend yield	Nil%	Nil%	Nil%	Nil%
Expected volatility	74.00%	77.00%	74.00%	72.00%
Risk-free interest rate	4.38%	3.86%	4.33%	4.55%
Expected life of share options (years)	5	3	5	7
Weighted average share option exercise price	$0.20	$0.20	$0.20	$0.20
Weighted average share price at grant date	$0.12	$0.16	$0.16	$0.16

The following table lists the inputs to the model used for the years ended 30 June 2011:

	21 October 2010
Dividend yield	Nil%
Expected volatility	67.20%
Risk-free interest rate	5.26%
Expected life of share options (years)	3
Weighted average share option exercise price	$0.31
Weighted average share price at grant date	$0.20

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to key management personnel of the Group is set out below:

	Consolidated	
	2012	**2011**
	$	**$**
Short-term employee benefits	**2,065,522**	1,667,463
Post-employment benefits	**188,246**	246,378
Other long-term benefits	**-**	-
Termination benefits	**121,212**	151,075
Share-based payment	**806,115**	278,242
	3,181,095	**2,343,158**

Other details of remuneration of key management personnel are provided in the remuneration report which forms part of the Directors' Report to shareholders.

Notes to the financial statements (cont)

27. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 19.

Equity interests in associates and joint ventures

Details of interests in joint ventures are disclosed in note 22.

(b) Transactions with key management personnel

Key management personnel compensation

Details of aggregate key management personnel compensation are disclosed in note 26.

Loans to key management personnel

There were no loans made to key management personnel of the Group or their related entities during the financial year (2011: $Nil).

Key management personnel equity holdings

Fully paid ordinary shares of Strike Energy Limited

30 June 2012	Balance at 1 July 2011	Granted as remuneration	On exercise of options	Net change - other	Balance at 30 June 2012
Directors					
T R B Goyder	22,786,608	-	-	5,570,061	28,356,669
S M Ashton	8,533,964	-	-	1,363,598	9,897,562
D C Wrench	29,666	-	-	7,253	36,919
T M Clifton	19,997,243	-	-	4,888,216	24,885,459
Senior management					
D J Poynton	970,400	-	-	-	970,400
R J Weeden	1,411,100	-	-	-	1,411,100
TOTAL	53,728,981	-	-	11,829,128	65,558,109

27. RELATED PARTY TRANSACTIONS (cont)

(b) Transactions with key management personnel (cont)

No other key management personnel held shares during the year ended 30 June 2012.

30 June 2011	Balance at 1 July 2010	Granted as remuneration	On exercise of options	Net change - other	Balance at 30 June 2011
Directors					
T R B Goyder	22,786,608	-	-	-	22,786,608
S M Ashton	8,533,964	-	-	-	8,533,964
D C Wrench	29,666	-	-	-	29,666
T M Clifton	19,997,243	-	-	-	19,997,243
J W Schneider (i)	1,110,786	-	-	-	1,110,786
D O'Keeffe (i)	30,000	-	-	-	30,000
Senior management					
D J Poynton	970,400	-	-	-	970,400
R J Weeden	1,411,100	-	-	-	1,411,100
A J Brazier (i)	41,000	-	-	-	41,000
A J Traicos (i)	-	-	-	-	-
TOTAL	**54,910,767**	**-**	**-**	**-**	**54,910,767**

(i) Key management personnel resigned during the financial year 2011.

No other key management personnel held shares during the year ended 30 June 2011.

Notes to the financial statements (cont)

27. RELATED PARTY TRANSACTIONS (cont)

(b) Transactions with key management personnel (cont)

Key management personnel equity holdings (cont)

Share options of Strike Energy Limited

30 June 2012	Balance at 1 July 11	Granted as remuner-ation	Options exercised	Net Change - other	Balance at 30 June 12	Vested exercisable	Not vested not exercisable	Total
Directors								
S M Ashton	**3,000,000**	**-**	**-**	**(1,500,000)**	**1,500,000**	**1,500,000**	**-**	**1,500,000**
D C Wrench	**-**	**10,000,000**	**-**	**-**	**10,000,000**	**2,000,000**	**8,000,000**	**10,000,000**
Senior management								
D J Poynton	**2,050,000**	**-**	**-**	**(1,100,000)**	**950,000**	**950,000**	**-**	**950,000**
R J Weeden	**2,050,000**	**-**	**-**	**(1,100,000)**	**950,000**	**950,000**	**-**	**950,000**
B A Thomas	**500,000**	**2,500,000**	**-**	**-**	**3,000,000**	**1,750,000**	**1,250,000**	**3,000,000**
A Hooper-Nguyen	**-**	**2,500,000**	**-**	**-**	**2,500,000**	**2,500,000**	**-**	**2,500,000**
A Dimsey	**-**	**2,500,000**	**-**	**-**	**2,500,000**	**2,500,000**	**-**	**2,500,000**
TOTAL	**7,600,000**	**17,500,000**	**-**	**(3,700,000)**	**21,400,000**	**12,150,000**	**9,250,000**	**21,400,000**

30 June 2011	Balance at 1 July 10	Granted as remuner-ation	Options exercised	Net Change - other	Balance at 30 June 11	Vested exercisable	Not vested not exercisable	Total
Directors								
S M Ashton	3,000,000	-	-	-	3,000,000	3,000,000	-	3,000,000
D J O'Keeffe (i)	4,000,000	-	-	(2,000,000)	2,000,000	2,000,000	-	2,000,000
Senior management								
D J Poynton	2,200,000	250,000	-	(400,000)	2,050,000	1,700,000	350,000	2,050,000
R J Weeden	2,200,000	250,000	-	(400,000)	2,050,000	1,700,000	350,000	2,050,000
B A Thomas	-	500,000	-	-	500,000	500,000	-	500,000
A J Brazier (i)	1,100,000	250,000	-	(500,000)	850,000	750,000	100,000	850,000
A J Traicos (i)	1,000,000	250,000	-	(550,000)	700,000	700,000	-	700,000
TOTAL	**13,500,000**	**1,500,000**	**-**	**(3,850,000)**	**11,150,000**	**10,350,000**	**800,000**	**11,150,000**

(i) Key management personnel resigned during the financial year 2011.

All share options issued to key management personnel were made in accordance with the provisions of the Employee Share Option Plan.

During the year no share options were exercised by key management personnel (2011: no share options exercised). Further details on the employee share option plan are contained in note 25.

27. RELATED PARTY TRANSACTIONS (cont)

Other transaction and balances with key management personnel

During the year, the following were paid/payable to key management personnel and their related entities:

- Fees totalling $1,518 (2011: $3,100) were paid/are payable to Challenger Geological Services Pty Limited, a company related to Mr S M Ashton, for geological services;
- Fees totalling $32,175 (2011: $Nil) were paid/are payable to Mr S M Ashton for consultancy services;
- Fees totalling $15,700 (2011: $41,350) were paid/payable to Mr T M Clifton for consultancy services;
- Fees totalling $54,000 (2011: $Nil) were paid/payable to Mr D C Wrench for consultancy services.

There were no other transactions or balances with key management personnel other than in the ordinary course of business.

(c) Transactions with other related parties

During the financial year, the following transactions occurred between the Company and its related parties:

Strike Energy Limited paid $185,000 (2011: $1,306,000) for the working capital requirements of its subsidiaries.

Strike Energy Limited received interest income of $297,000 from its US subsidiary (2011: $106,000) on loans receivable. The weighted average interest rate on the loans was 1.98% (2011: 1.81%). Interest receivable is calculated on the outstanding loan balance on the last day of each month.

Strike Energy Limited wrote off debt to subsidiaries of $Nil (2011: $1,515,000).

Strike Energy Limited does not charge interest on loans made to its Australian subsidiaries.

Strike Energy Limited provided management services to its subsidiaries and joint ventures totalling $1,583,000 (2011: $2,862,000).

The following balances arising from transactions between the Company and its related parties are outstanding at reporting date:

- Loans receivable totalling $34,210,000 (2011: $8,718,000) are receivable from subsidiaries;
- Loans receivable totalling $48,000 (2011: $206,000) are receivable from joint ventures.

All amounts advanced to related parties are unsecured.

Amounts outstanding will be settled unless it is considered the related party will be unable to repay the amounts, in which case a bad debt is recognised. No guarantees have been received.

Transactions between the Company and its related parties were eliminated in the preparation of the consolidated financial statements of the Group – refer note 2(d).

(d) Parent entity

The parent and ultimate parent entity in the Group is Strike Energy Limited. Strike Energy Limited was incorporated in Australia.

Notes to the financial statements (cont)

28. SUBSEQUENT EVENTS

Since the end of the financial year, 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 Group in subsequent years.

29. REMUNERATION OF AUDITORS

The auditor of the Group is Deloitte Touche Tohmatsu.

	Consolidated	
	2012	**2011**
	$	**$**
Amounts received or due and receivable by Deloitte Touche Tohmatsu (Australia) for:		
- audit or review of the financial report of the entity and any other entity in the Group	**125,117**	88,990
- other services	**19,800**	-
Amounts received or due and receivable by related practices of Deloitte Touche Tohmatsu (Australia) for:		
- audit or review of associates	**-**	-
	144,917	88,990

Additional securities exchange information

AS AT 20 SEPTEMBER 2012

1. Number of holders of equity securities

614,519,664 fully paid ordinary shares are held by 3,445 individual shareholders.

31,025,000 unlisted options are held by 51 individuals.

2. Voting rights

In accordance with Company's constitution, on a show of hands every shareholder present in person or by a proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by a proxy, attorney or representative has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the existing issued fully paid ordinary shares.

3. Distribution of shareholdings

Holdings	Number of shares
< 1,000	14,330
1,001 to 5,000	1,318,919
5,001 to 10,000	3,385,356
10,001 to 100,000	72,519,530
> 100,001	537,281,529
Holding less than a marketable parcel	191

4. Substantial shareholders

Name	% Interest
Apostle Asset Management	9.18

The above shareholdings are disclosed pursuant to section 671B(3) of the Corporations Act 2001 but the relevant interests shown do not necessarily represent the beneficial interest in the share capital of the Company or parties concerned.

Additional securities exchange information (cont)

5. The 20 largest holders of quoted equity securities

Ranking	Shareholder	Number of shares	% Held
1.	Apostle Asset Management	56,393,728	9.18
2.	JP Morgan Nominees Australia Limited	46,098,795	7.50
3.	National Nominees Limited	38,198,837	6.22
4.	Timothy R B Goyder	28,356,669	4.61
5.	Calm Holdings Pty Ltd	24,885,459	4.05
6.	Macquarie Bank Limited	17,647,059	2.87
7.	Citicorp Nominees Pty Limited	14,313,216	2.33
8.	S & Y Ashton Nominees Pty Ltd	9,897,562	1.61
9.	Mark C Jobling	8,448,650	1.37
10.	HSBC Custody Nominees	7,391,714	1.20
11.	D B Angliss Pty Ltd	7,360,436	1.20
12.	Sassey Pty Ltd	7,350,049	1.20
13.	Harman Nominees Pty Ltd	6,134,413	1.00
14.	Vulcan Custodian Limited	5,156,524	0.84
15.	James M Durrant & Monica C Durrant	5,091,754	0.83
16.	Suncorp Custodian Services Pty Limited	4,856,765	0.79
17.	Ginostra Capital Pty Limited	4,632,942	0.75
18.	BNP Paribas Noms Pty Ltd	3,312,472	0.54
19.	Magaurite Pty Ltd	3,286,256	0.53
20.	D Breiner	3,000,000	0.49

Corporate governance statement

INTRODUCTION

The board of directors of Strike Energy Limited (Company) is responsible for the corporate governance of the Consolidated Entity.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance.

This corporate governance statement outlines the key principles and practices of the Company which, taken as a whole, is the system of governance.

Unless otherwise indicated, the Company has complied with each of the eight *Corporate Governance Principles and Recommendations* (Eight Principles), as published by the ASX Corporate Governance Council.

The Company reviews and amends its corporate governance policies as appropriate to reflect the growth of the Company, current legislation and good practice. The website (www.strikeenergy.com.au) includes copies or summaries of key corporate governance policy documents.

RELATIONSHIP WITH SHAREHOLDERS

The Company places a high priority on communications with and accountability to shareholders. The board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective investors should be able to make an informed decision when considering the purchase of shares in the Company.

To safeguard the effective dissemination of information, the board has implemented a Disclosure Control Policy, detailed later in this statement and adopted a Shareholder Communications Policy. These reinforce the Company's commitment to its continuous disclosure obligations imposed by law.

Information will be communicated to shareholders by:

- Ensuring that published financial and other statutory reports are prepared in accordance with applicable laws and industry best practice;
- Ensuring the disclosure of full and timely information about the Company's activities in accordance with the general and continuous disclosure principles in the ASX Listing Rules, the Corporations Act and any other relevant legislation;
- Providing detailed reports from the Chairman and the Managing Director at the annual general meeting;
- Placing all material information released to the market (including notices of meeting and explanatory materials) on the Company's website as soon as practical following release; and
- Placing the Company's market announcements and financial data for preceding years on its website.

In addition, the website includes a facility to allow interested parties to subscribe to receive, electronically, public releases and other relevant material concerning the Company.

Shareholders are encouraged to attend annual general meetings and ask questions of directors and the Company's external auditors, who are required to be in attendance. In the event that shareholders are unable to attend meetings, they are encouraged to lodge proxies signifying their approval or otherwise of the business to be considered.

Corporate governance statement (cont)

BOARD OF DIRECTORS

Role of the board

The board guides and monitors the business of the Company on behalf of shareholders, by whom they are elected and to whom they are accountable. The board is responsible for setting corporate direction, defining policies and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders.

The role of the board is to oversee and guide the management of the Company with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community.

The board operates under a charter and has a written code of conduct (Code) which establishes guidelines for its conduct. The purpose of the Code is to ensure that directors act honestly, responsibly, legally, ethically and in the best interests of the Company.

The board is responsible for setting the strategic direction of the Company and establishing goals for management and monitoring the achievements against these goals.

Composition of the board

The board comprises four non-executive directors, including the Chairman, and two executive director, the Managing Director and President, Strike USA Inc. The names of the directors, both in office at the date of this report and those who held the position during the past year, are set out in the Directors' Report. This information includes their status as non-executive or executive, their qualifications, experience and length of service.

The structure of the board reflects the needs of the Company to ensure the appropriate mix of skills and experience is available to oversee the growth of the Company to its full potential.

Skill sets represented at board level include managerial, technical, financial, corporate and commercial. Particularly, members have a broad range of qualifications, experience and expertise in the oil and gas industry. While the directors on the Board represent a diverse range of nationalities and backgrounds, the Board recognises the current gender imbalance and the opportunity to address this upon future retirements of non-executive directors.

Director independence

Directors are expected to bring independent views and judgement to the board's deliberations. At 30 June 2012 all of the non-executive directors are considered by the board to be independent. In considering whether a director is independent, the board has regard to the independence criteria set out in the *Corporate Governance Principles and Recommendations*, published by the ASX Corporate Governance Council and other facts, information and circumstances that the board considers relevant.

The board assesses the independence of new directors prior to appointment and reviews the independence of all directors as and when considered appropriate.

Meetings of the board

The board meets formally at least eight times a year (typically over a two day period) and on other occasions as required. By invitation of the board, members of senior management attend and make presentations to the board. Non-executive directors are able to meet without the Managing Director and management being present, as considered appropriate.

Retirement and re-election

The constitution of the Company requires one third of the directors, other than the Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the board are required to retire from office at the next annual general meeting and are not taken into account in determining the number of directors to retire by rotation at that annual general meeting. Directors cannot hold office for a period in excess of three years without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

The board does not believe that any director has served on the board for a period which could, or be perceived to, materially interfere with his ability to act in the best interests of the Company.

In reaching this conclusion, the board has noted that Mr S M Ashton has served as a director for 15 years. Notwithstanding his period of service, the board believes the director retains independence of character and judgement and continues to make an outstanding contribution to the board. Mr Ashton brings his unique skills to the board and participates in robust and constructive debate.

Nomination and appointment of new directors

If it is necessary to appoint a new director to fill a vacancy on the board or to complement the existing board, a wide potential base of possible candidates is considered and external consultants are engaged to assist in the selection process, if required. The board assesses the qualifications of the proposed new director against a range of criteria including background, experience, professional skills, personal qualities, potential for the candidate's skills to augment the existing board and the candidate's availability to commit to the board's activities. If these criteria are met and the board appoints the candidate as a director, that director must retire at the next annual general meeting and will be eligible for re-election by shareholders at that meeting.

New directors appointed to the board are invited to participate in an induction programme which includes provision of comprehensive written material regarding the Company such as:

- Information on the financial, strategic and operational position of the Company;
- A comprehensive letter of appointment which sets out the Company's expectations on acceptance of the position;
- A written statement which sets out the duties, rights and responsibilities they undertake on becoming a director together with material detailing the operations, policies and practices of the Company; and
- Copies of previous minutes of board meetings together with recent annual reports and interim financial statements.

Further, new directors are invited to attend briefing sessions with the Managing Director and key members of the senior management team where they may ask questions and direct any queries they may have to the Chairman or the Managing Director or obtain any other briefings they feel necessary from the Chairman or the Managing Director. They are encouraged to attend site visits in liaison with the Managing Director, at appropriate times. Directors agree to participate in continuous improvement programs from time to time, as considered appropriate.

Corporate governance statement (cont)

BOARD OF DIRECTORS (cont)

Evaluation of board performance

Improvement in board processes and effectiveness is a continuing objective and the primary purpose of board evaluation is to identify ways to improve performance. The Chairman is responsible for conducting an annual review of the board's performance.

An evaluation of the performance of the board was carried out in the first quarter of the 2011 financial year. This process involved completion of individual interviews with the Chairman focussed on process, structure, effectiveness and contributions. Responses were collated and discussed by the board and recommendations for improvement considered.

Knowledge, skills and experience

To assist directors to maintain an appropriate level of knowledge, skill and experience in the operations of the Company, directors have the opportunity to undertake site visits to familiarise themselves with the Company's operations.

Directors are also provided with papers, presentations and briefings on the Company's operations and on matters which may affect the Company. These are provided in addition to board papers and are designed to assist the directors to gain relevant and timely information to assist in their decision making. Directors are also encouraged to undertake continuing education relevant to the discharge of their obligations as directors of the Company. Subject to prior approval by the Chairman, the reasonable cost of such education is met by the Company.

Conflicts of interest

The code of conduct for directors, a copy of which is available on the Company's website, sets out the procedure to be followed if there is, or may be, a conflict between the personal or other interests of a director and the business of the Company. A director with an actual or potential conflict of interest in relation to a matter before the board does not receive the board papers relating to that matter and when the matter comes before the board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussions or decision-making process.

Minutes reporting on matters in which a director is considered to have a conflict of interest are not provided to that director, however, the director is given notice of the nature of the matter for discussions and, as much as practicable, of the general nature of the discussion or decision reached.

Remuneration

Details of the remuneration policies and practices of the Company and the remuneration paid to the directors (executive and non-executive) and senior management are set out in the Remuneration Report included in the Directors' Report. Shareholders will be invited to consider and to approve the Remuneration Report at the annual general meeting on 21 November 2012.

In relation to the non-executive directors, termination and retirement benefits do note accrue.

Independent advice

The board and any committees may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities. No director availed himself of this right during the course of the year.

Board Committees

The board considers that the Company is not currently of a size, nor are its affairs of such complexity so as to justify the operation of an audit committee, nomination committee or remuneration committee at this time.

The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

FINANCIAL REPORTING

CEO and CFO sign-offs

In accordance with the Corporations Act 2001 and ASX Corporate Governance Principle 4: *Safeguard Integrity in Financial Reporting*, relevant declarations, statements and certifications have been provided by the Managing Director and the Chief Financial Officer in relation to the Company's 2012 annual report, including financial statements.

Disclosure controls

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal and timely access to material information concerning the Company.

The Company acknowledges that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange, and has adopted a disclosure control policy with underlying procedures covering public announcements, the prevention of selective or inadvertent disclosure, conduct of investor and analyst briefings, and media communications. This policy reflects the commitment of the directors and senior management to promoting consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information to the market.

Risk management

The Company has established a Risk Management Policy which sets out a framework for a system of risk management and internal compliance and control, whereby the board delegates day-to-day management of risk to the Managing Director.

The Company has formed a risk management committee which has responsibility for identifying, assessing, treating, monitoring risks and reporting to the board on risk management. Members of this committee are the Company's senior management team.

The committee has compiled a master risk register which is subject to periodic review to ensure adequate risk control measures have been identified.

Environment

The Company seeks to prevent, minimise, mitigate and remediate any harmful effects of its operations on the environment and strives to achieve continuous improvement in environmental performance. The Company promotes an excellent standard of environmental performance across its business and has adopted an environmental policy that includes compliance with all applicable environmental laws as a minimum standard. Further, the Company has developed and implemented environmental management systems to identify, assess and manage environmental risks, to ensure its employees and contractors are aware of their environmental responsibilities, to consult with government and community in relation to the Company's operations and proposed projects, and to undertake regular audits and reviews on environmental performance.

Corporate governance statement (cont)

FINANCIAL REPORTING (cont)

Safety and occupational health

The safety, health and wellbeing of employees, contractors and the community are of core value to the Company's operations. A healthy workforce contributes to business success and the Company's objective is for zero injuries, which was achieved in the 2012 and 2011 financial years. The safety and health performance of the Company is measured through internal and external independently recognised auditing and reporting processes.

Securities ownership and dealings

The Company has a policy for trading in company securities which is binding on all directors and employees. The purpose of this policy is to provide a brief summary of the law on insider trading and other relevant laws, to set out the restrictions on dealing in securities by people who work for or are associated with the Company and to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

The Company's policy prohibits hedging of options granted under share options plans. This relates to both vested and unvested options. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The board considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives.

Codes of conduct

The board has approved a code of conduct for directors (incorporating underlying Guidelines for the Interpretation of Principles) together with a code of business conduct and ethics, which applies to all directors, officers and employees including those employed by subsidiaries. A copy of the code is available on the Company's website.

These codes demonstrate and codify the Company's commitment to appropriate and ethical corporate practices. Compliance with the codes will also assist the Company to effectively manage its operating risks and meeting its legal and compliance obligations, as well as enhancing the Company's corporate reputation.

The principles outlined in this document are intended to:

- Establish a minimum global standard of conduct by which all employees are expected to abide;
- Protect the business interests of the Company, its employees and customers;
- Maintain the Company's reputation for integrity; and
- Facilitate compliance by employees with applicable legal and regulatory obligations.

The code of business conduct and ethics addresses honesty and integrity, compliance with the law, conflicts of interest, confidentiality, protection of Company assets, dealing with public officials, responsibility for international operations, employment practices, record keeping and community relations.

The board has appointed the Company Secretary as the Company's compliance officer in the case of employees, and the Chairman of the Board in the case of directors and officers, as the person responsible for receiving reports of breaches of the code and this is the mechanism by which compliance with the code is monitored.

The board has also approved a whistleblower policy which documents commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the whistleblower policy is to:

- Help detect and address unacceptable conduct;
- Help provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to the Company; and
- Help protect people who report unacceptable conduct in good faith.

The Company has a firm commitment to protecting the privacy of any personal information that it collects and holds and recognises its obligations under the existing privacy legislation. It has adopted a privacy policy which provides details on the collection and use of personal information, circumstances under which it can be disclosed, management and security of personal information and how it can be accessed.

Any changes to the above codes and policies are considered by the board for approval.

Diversity

Strike recognises that diversity in the workforce results in greater organisational strength and innovation, deeper problem solving ability and the generation of a wider range of new business opportunities. Strike is committed to attracting and retaining a diverse range of talented individuals to work in all levels of the organisation.

Strike's policy is to recruit and manage on the basis of a candidate's ability to add value and assist with the achievement of Strike's objectives regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

Strike aims to meet its ongoing commitment to diversity by, among other things:

- the Board reviewing Strike's diversity strategy at least annually; and
- the Board annually reviewing the measurable objectives it has set for achieving improvement in the diversity mix of Strike and the progress in achieving those objectives.

Corporate governance statement (cont)

The table below outlines the diversity objectives established by the Board, the steps taken during the financial year to achieve these objectives, and the outcomes achieved.

Objectives	Progress achieved
Set and review development plans with female employees to set goals relevant to their career objectives and monitor achievement toward goals.	Discussions have been held with all female employees and training opportunities have been provided to assist with achievement of goals. Strike will continue to focus on this area during the 2013 financial year including ongoing discussions with all employees to update plans/ objectives and ensure achievement of career objectives.
At least 1 female employee in a senior executive position by 2015.	Ms S Michels was appointed to the role of Company Secretary on 29 June 2012. Whilst this objective has been achieved, the Company recognises the importance of diversity throughout all levels of the organisation.
At least 1 female employee on the Board by 2015.	The composition of the Board did not change during the 2012 financial year. This objective will continue to be a consideration for future Board appointments
Annually review flexible working arrangements to ensure roles are appropriate to maintain career development.	Flexible working arrangements during the financial year have been provided wherever possible to suit both the Company and employee requirements. These arrangements are considered appropriate to maintaining career development. These arrangements will be reviewed during the 2013 financial year and will continue to be offered wherever possible.

The table below outlines the proportion of women employees in the whole organisation, in senior executive positions and on the Board.

Role	Female	Female %	Male	Male %
Administration	3	100	0	0
Supervisory/Professional	2	100	0	0
Senior Manager	1	20	4	80
Total	6	60	4	40
Board	0	0	6	100

The Company will continue to review and update the measurable objectives to promote diversity for the 2013 financial year.

Corporate Directory

DIRECTORS

Chairman
Mr T M Clifton

Managing Director
Mr D C Wrench

Executive Director
Mr B A Thomas

Non-Executive Director
Mr S M Ashton

Non-Executive Director
Mr T R B Goyder

Non-Executive Director
Mr E M Uliel

REGISTERED OFFICE

Ground Floor
10 Ord Street
West Perth, Western Australia 6005
(PO Box 1976, West Perth WA 6872)

Telephone: (+61 8) 6103 0999
Facsimile: (+61 8) 6103 0990
Email: web.query@strikeenergy.com.au
Internet: www.strikeenergy.com.au

SHARE REGISTRY

Computershare Investor
Services Pty Limited
Level 4, 60 Carrington Street
Sydney, New South Wales 2000

Telephone: 1300 137 328
International: (+61 3) 9415 4000
Facsimile: 1300 137 341

AUDITORS

Deloitte Touch Tohmatsu
Level 14, Woodside Plaza
240 St George's Terrace
Perth, Western Australia 6000

LAWYERS

Middletons Lawyers
Level 32, 44 St George's Terrace
Perth, Western Australia 6000

STOCK EXCHANGE LISTING

Australian Securities Exchange
Code: STX

Frankfurt and Munich
Stock Exchanges
Code: RJN

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www.strikeenergy.com.au

Strike Energy

STRIKE ENERGY LIMITED
ABN 59 078 012 745

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

AND

PROXY FORM

Date of Meeting
21 November 2012

Time of Meeting
2.00pm (Perth time)

Place of Meeting
The Celtic Club
48 Ord Street
West Perth
Western Australia

Strike Energy Limited
Ground Floor, 10 Ord Street
West Perth 6005
Western Australia

Phone: 08 6103 0999
Facsimile: 08 6103 0990
Email: strike@strikeenergy.com.au

STRIKE ENERGY LIMITED
ABN 59 078 012 745

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the annual general meeting **(Meeting)** of the members of Strike Energy Limited (Company) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on 21 November 2012 at 2.00pm (Perth time).

BUSINESS

FINANCIAL REPORT, DIRECTORS' REPORT AND AUDITOR'S REPORT

To receive and consider the Financial Report of the Company, together with the Directors' Report and the Auditor's Report, for the year ended 30 June 2012 as set out in the Annual Report.

RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, pass as an ordinary resolution:

"To adopt the Remuneration Report for the year ended 30 June 2012."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion:

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by, or on behalf of, a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member. However, a vote may be cast by such person if:

(a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or

(b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.

RESOLUTION 2 – RE-ELECTION OF MR TIM CLIFTON AS A DIRECTOR

To consider and, if thought fit, pass as an ordinary resolution:

"That Mr Tim Clifton, who retires by rotation in accordance with clause 13.2 of the Company's constitution and, being eligible, offers himself for re-election, be elected as a Director of the Company."

RESOLUTION 3 – RE-ELECTION OF MR TIM GOYDER AS A DIRECTOR

To consider and, if thought fit, pass as an ordinary resolution:

"That Mr Tim Goyder, who retires by rotation in accordance with clause 13.2 of the Company's constitution and, being eligible, offers himself for re-election, be elected as a Director of the Company."

RESOLUTION 4 – DIRECTORS REMUNERATION

To consider and, if thought fit, pass as an ordinary resolution:

"That in accordance with Listing Rule 10.17 and clause 13.8 of the Company's constitution, the maximum aggregate annual remuneration payable to non-executive Directors of the Company be increased by $150,000 per annum, from $250,000 per annum to a maximum of $400,000 per annum, which may be divided among those Directors in the manner determined by the Board from time to time or, until so determined, equally."

Voting exclusion:

The Company will disregard any vote cast on Resolution 4 by, or on behalf of:

(a) a Director or an Associate of a Director; and

(b) as proxy, any Key Management Personnel or Closely Related Parties of Key Management Personnel.

However, the Company need not disregard a vote if it is cast by:

(a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) the Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides and the proxy form expressly authorises the Chair to exercise the proxy even if Resolution 4 is connected directly or indirectly with the remuneration of Key Management Personnel.

By order of the Board of Directors

Salina Michels
Company Secretary
30 September 2012

IMPORTANT NOTES FOR SHAREHOLDERS

These notes and the Explanatory Memorandum form part of the Notice of Meeting.

EXPLANATORY MEMORANDUM

The accompanying Explanatory Memorandum forms part of this Notice of Meeting and should be read in conjunction with it. Section 6 of the Explanatory Memorandum contains definitions of capitalised terms used in this Notice of Meeting and the Explanatory Memorandum.

REQUIRED MAJORITIES

All of the Resolutions are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

ENTITLEMENT TO VOTE

The Directors have determined that, for the purpose of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 4.00pm (Perth time) on 19 November 2012.

HOW TO VOTE

You may vote by attending the Meeting in person or by proxy, attorney or authorised representative.

VOTING IN PERSON

To vote in person, attend the Meeting on the date and at the place set out in the Notice of Meeting.

APPOINTMENT OF PROXIES

A Shareholder who is entitled to attend and vote is entitled to appoint a proxy to attend and vote at the Meeting. A Shareholder entitled to cast two or more votes may appoint one or two proxies and may specify the proportion of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy may be, but need not be, a Shareholder and can be an individual or a body corporate. **YOUR PROXY FORM IS ENCLOSED**.

A body corporate appointed as a proxy may appoint an individual as its representative to exercise any of the powers the body corporate can exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Meeting as soon as possible and either:

(a) send the proxy form by fax to the Company on fax number (08) 6103 0990 (International: + 61 8 6103 0990); or

(b) deliver or post the proxy form to the Company's registered office at Ground Floor, 10 Ord Street, West Perth, Western Australia 6005 or to the Company's share registry, Computershare Registry Services Pty Ltd, GPO Box 242, Melbourne, Victoria, 3001,

so that it is received not later than **2.00pm (Perth time) on Monday 19 November 2012**, being not less than 48 hours prior to the commencement of the meeting. Proxy forms received later than this time will be invalid.

When the proxy form is executed under the power of attorney, the power of attorney must be lodged in the same way as the proxy form.

Voting Prohibition by Proxy Holders

In accordance with section 250R of the Corporations Act, a vote on Resolutions 1 and 4 must not be cast (in any capacity) by, or on behalf of:

(a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or

(b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolutions 1 and 4 as proxy if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

(a) the person does so as proxy appointed by writing that specifies how the proxy is to vote on Resolutions 1 and 4; or

(b) the person is the Chairman and the appointment of the Chairman as proxy:

  (i) does not specify the way the proxy is to vote on Resolutions 1 and 4; and

  (ii) expressly authorises the Chairman to exercise the proxy even if Resolutions 1 and 4 are connected directly or indirectly with the remuneration of the Key Management Personnel.

BODIES CORPORATE

A body corporate may appoint an individual as its representative to exercise any of the powers the body corporate may exercise at meetings of the Company's Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body corporate could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, Ms Salina Michels, on (08) 6103 0999 if they have any queries in respect of the matters set out in this Notice of Meeting or the Explanatory Memorandum.

STRIKE ENERGY LIMITED
ABN 59 078 012 745

EXPLANATORY MEMORANDUM

1 INTRODUCTION

This Explanatory Memorandum is intended to provide Shareholders with information in relation to the items of business set out in the Notice of Meeting.

You should read this Explanatory Memorandum in full before making any decision in relation to the Resolutions. Capitalised terms in this Explanatory Memorandum are defined in Section 6 of the Explanatory Memorandum. You should consult your professional advisers if you have any questions in relation to how to vote on the Resolutions.

There are four Resolutions to be put in the Meeting. Certain voting exclusions are imposed by the Listing Rules and the Corporations Act in relation to the Resolutions as detailed in the accompanying Notice of Meeting.

2 FINANCIAL REPORT, DIRECTORS' REPORT AND AUDITOR'S REPORT

The Corporations Act requires the Company to lay before the Annual General Meeting the Financial Report, Directors' Report (including the Remuneration Report) and the Auditor's Report for the financial year ended 30 June 2012.

No resolution is required for this item, but Shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports. The Company's auditor will also be present at the meeting and Shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- the preparation and the content of the Auditor's Report;
- the conduct of the audit;
- accounting policies by the company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

3 RESOLUTION 1 – REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act. The Remuneration Report forms part of the Directors' Report included in the 2012 Annual Report. The Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of Executive Directors and senior management of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior management of the Company; and
- details and explains any performance conditions applicable to the remuneration of Executive Directors and senior management of the Company.

Section 250R(3) of the Corporations Act provides that Resolution 1 is advisory only and does not bind the Directors of the Company or itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

However, the Corporations Act has been amended by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (**Director and Executive Remuneration Act**), which came into effect on 1 July 2011.

The Director and Executive Remuneration Act introduced new sections 250U and 250Y, amongst others, into the Corporations Act, giving Shareholders the opportunity to remove the Board if the Remuneration Report receives a "no" vote of 25% or more at two consecutive annual general meetings **(Two Strikes Rule)**.

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a "no" vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) will cease to hold office, but be eligible for re-election, and an election of Directors will take place.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 1 by marking either "For", "Against" or "Abstain" on the Proxy Form. The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the proxy form, the Shareholder is considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

The Board of Directors unanimously recommends that Shareholders vote to approve Resolution 1.

4 RESOLUTIONS 2 AND 3 – RE-ELECTION OF DIRECTORS

Overview

Clause 13.2 of the Company's constitution provides that at each annual general meeting one-third of the Directors (excluding alternate directors and the Managing Director), or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the Directors, must retire from office, but a Director who retires under this clause is eligible for re-election at that meeting.

Resolution 2 – Re-election of Mr Tim Clifton as a Director

Mr Tim Clifton retires from office in accordance with the Company's constitution and submits himself for re-election.

Mr Clifton was appointed by the Board as a Director on 13 August 2008 and was last re-elected by Shareholders on 17 November 2010. For the purpose of clause 13.2 of the Company's constitution, Mr Clifton is required to retire at the Meeting but is eligible for re-election.

Mr Clifton has over 40 years' of operating and corporate experience in the resource sector and holds degrees in geology and law from the Universities of Adelaide and Western Australia. He has been involved in the foundation and management of a number of publically listed companies and held the position of managing director of Perilya Limited for 17 years until 2005. Mr Clifton is currently Non-Executive Chairman of Lodestar Minerals Limited.

The Directors (other than Mr Clifton) unanimously recommend that Shareholders vote in favour of Resolution 2. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.

Resolution 3 – Re-election of Mr Tim Goyder as a Director

Mr Tim Goyder retires from office in accordance with the Company's constitution and submits himself for re-election.

Mr Goyder was appointed by the Board as a Director on 19 August 2010 and was last re-elected by Shareholders on 17 November 2010. For the purpose of clause 13.2 of the Company's constitution, Mr Goyder is required to retire at the Meeting but is eligible for re-election.

Mr Goyder has over 30 years' experience in the resource industry. He has been involved in the formation and management of a number of publicly listed companies and is currently Chairman of Chalice Gold Mines Limited and Liontown Resources Limited and a director of Uranium Equities Limited.

The Directors (other than Mr Goyder) unanimously recommend that Shareholders vote in favour of Resolution 3. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.

5 RESOLUTION 4 – DIRECTORS REMUNERATION

In order for the total aggregate annual remuneration payable to Non-Executive Directors of the Company to be increased Listing Rule 10.17 and clause 13.8 of the Company's Constitution must be complied with. The Listing Rules and the Constitution provide that the Company must not increase the amount of remuneration payable to Non-Executive Directors of the Company unless Shareholders approve such an increase.

Additionally, Listing Rule 10.17.2 of the ASX Listing Rules provides that if Non-Executive Directors are paid, they must be paid a fixed sum. All Non-Executive Directors will be paid a fixed sum as determined at the sole discretion of the Board.

Currently the Non-Executive Directors of the Company are entitled to receive a combined maximum annual aggregate remuneration of $250,000. The Non-Executive Directors currently receive an aggregate of $199,500 inclusive of superannuation.

The aggregate remuneration that may be applied to pay the Non-Executive Directors of the Company has remained unchanged and has not been increased since 2004, before the Company's shares were quoted on the ASX.

Shareholder approval is sought to increase the total aggregate annual remuneration payable to Non-Executive Directors of the Company from $250,000 to $400,000.

The Board considers that this increase in the total aggregate annual remuneration payable to Non-Executive Directors is necessary to provide flexibility for the Company to attract top quality Non-Executive Directors in the future as the Company grows.

The Chairman intends to exercise all undirected proxies in favour of Resolution 4. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 4, by signing and returning the proxy form, the Shareholder is considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

6 DEFINITIONS

Words used in the Notice of Meeting and the Explanatory Memorandum have the following meanings, unless otherwise indicated:

Annual Report	means the annual report for the Company for the year ended 30 June 2012.
Associate	has the meaning given to it in section 11 and 13 to 17 (inclusive) of the Corporations Act.
ASX	means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Auditor's Report	means the auditor's report on the Financial Report.
Board or Directors	means the board of directors of the Company.
Chair or Chairman	means the person appointed to chair the Meeting convened by the Notice of Meeting.
Closely Related Party	means: (a) a spouse or child of the member; or (b) has the meaning given in section 9 of the Corporations Act.
Company	means Strike Energy Limited ABN 59 078 012 745.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
Directors' Report	means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company.
Explanatory Memorandum	means the explanatory memorandum attached to the Notice of Meeting.
Financial Report	means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company.
Key Management Personnel	means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.
Listing Rules	means the Listing Rules of ASX.
Meeting	means the meeting of Shareholders notified by the Notice of Meeting.
Notice of Meeting	means the Notice of Meeting incorporating this Explanatory Memorandum.
Remuneration Report	means the remuneration report of the Company contained in the Directors' Report.
Resolution	means a resolution contained in the Notice of Meeting.
Shareholder	means shareholder of the Company.