ACN 078 012 745

Financial Report for the half-year ended 31 December 2017

Contents

Directors' Report

The Board of Directors (the "Board" or the "Directors") of Strike Energy Limited (the "Company") and its subsidiaries (together referred to as the "Group") submit their report for the half-year period ended 31 December 2017.

The names and details of the Company's Directors and Officers who were in office during or since the end of the half-year period and until the date of this report are outlined below. All Directors and Officers were in office for this entire period, unless otherwise indicated:

- Mr John Poynton AO — Chairman (non-executive)
- Mr Tim Goyder — Director (non-executive)
- Ms Jody Rowe — Director (non-executive)
- Mr Andrew Seaton — Director (non-executive) (appointed 18 August 2017)
- Mr Stuart Nicholls — Managing Director (appointed Managing Director 18 August 2017)
- Mr Simon Ashton — Director (non-executive) (resigned 18 August 2017)
- Mr Brendan Ostwald — Director (non-executive) (resigned 18 August 2017)
- Mr Matthew Montano — Company Secretary (resigned 31 August 2017)
- Mr Justin Ferravant — Company Secretary (appointed 31 August 2017)

Review of operations

Strike advanced the appraisal of its Southern Cooper Basin assets in South Australia during the first half of the financial year. Technical success was declared in validating the Vu Upper coal resource via the implementation of beam pumps in Klebb 2 & 3 and subsequent dewatering and sustained production testing. Validation of the Vu Upper reservoir parameters has enabled Strike to design, fund, procure and commence execution of the 'Jaws' appraisal program with the target of achieving commercial gas flow rates in 2018. Spud of Jaws-1 occurred on 15 February 2018.

These milestones are important in building the necessary information for a final investment decision for a planned Phase 1 50TJ/day project.

Exploration and development

Klebb Pilot

Strike validated its resource and reservoir characteristics through production testing in the Klebb wells to determine the gas content and other specific parameters in the coals. Strike determined that the Vu Upper coal beds in the Southern Cooper Basin Gas Project (SCBGP) are producible and the reservoir parameters are within Strike's commercial thresholds, which were independently verified by Igesi Consulting. As a result of this verification Strike declared technical success including an indication that the gas content of the Vu Upper coal was 6.1-6.0 m3 of methane per tonne of coal.

Production testing of the Klebb 1 Vu Lower seam which was completed and plugged back in 2014 was planned and executed in November 2017. A workover rig and slickline unit recompleted the Klebb 1 well by removing the bridge plug isolating the Vu Lower coal seam from the previously flow tested Vu Upper. The testing aims to provide vital reservoir and production data on both water and gas flows to progress the technical success milestone of the Vu Lower. The consistent and steady drawdown of the water column and beginning of desorption / gas production shows that the Vu Lower is likely producible and will behave similarly to the Vu Upper. This data also suggests that there is a finite drainage area and the absence of a live aquifer. The observation of these gas flows supports the belief that the Vu Lower coal seam is highly prospective and further appraisal is scheduled.

Planned activities

Strike has begun to execute the 'Jaws-1' appraisal program within the Klebb pilot area. Jaws-1 is a production system designed to communicate with approximately 170 acres of the Vu Upper coal seam. The Jaws appraisal program was conceptualised to complete the final de-risking of the coals and prove the commercial nature of the deep coal seam play.

The Jaws project includes drilling a vertical well and conducting a pressurised coring campaign on the Vm3 and Vu coal seams to gather gas saturation and other reservoir characteristics. The rig will then drill a second well with an 800-

Directors' Report

metre horizontal section and will intercept the initial vertical well. The horizontal section will target the placement of seven stimulation stages to maximise as much communication with the reservoir as possible.

Regarding the execution of the Jaws-1 well, Strike has entered into an integrated drilling and stimulation contract with Halliburton for the delivery of Jaws-1. This partnership represents an excellent outcome for Strike due to Halliburton's substantial experience in onshore directional drilling and advanced stimulation systems, combined with their proven track record in the Cooper Basin. As part of the Halliburton contract, Strike has secured the Ensign 965 land drill rig, which is one of the largest and most capable rigs of its type in Australia.

Other Australian assets

The Group continues to hold a 35% interest in the PEL 94 Joint Venture and a 50% interest in the PEL 95 Joint Venture (includes PPL 210) which are operated by Beach Energy Limited. In addition, the Group holds a 100% interest in PEL 515 and PELA 640.

Commercial and financial review

During the half-year period, the Group continued to advance a number of its financial and commercial initiatives in support of the appraisal and accelerated development of the SCBGP. The key highlights are:

- Renegotiated the major supply agreement with Orica International Pte Ltd (Orica). Strike will supply Orica with up to 64PJ of gas from the SCBGP at an improved price that supports the commercial development of the project. Orica also agreed to extend the repayment date of a $2.5 million loan, made by Orica in 2013, from July 2018 to December 2021.
- Receipt of the $3.7 million refund from the Australian Taxation Office relating to eligible research and development activities undertaken in the year ended 30 June 2017.
- Repaid the $3.2 million principal outstanding and subsequently extinguished the 2017 R&D facility with the Commonwealth Bank of Australia (CBA) and rolled over the facility for funding of up to $5.4 million in respect of its current financial year eligible R&D activities and expenditure.
- Successfully raised $9.1 million (before costs) through the placement of 130,000,000 fully paid ordinary shares at $0.70 per share.
- Relocated its registered corporate and operational offices to Adelaide, South Australia. The Department of Premier & Cabinet through the Economic Investment Fund supported the relocation and the Company's commitment to generate 85 full time equivalent roles through a grant totalling $1.0 million with a percentage payable upon evidence of such employment growth.

The Group made a Profit for the period of $2.75 million comprising the $3.7 million R&D tax benefit (2016: $6.3 million) and operating and administrative expenses (net of cost recoveries) of $0.9 million (2016: $0.6 million).

Significant changes in the state of affairs

Except as disclosed in the review of results and operations, and subsequent events (refer to note 24), there have been no significant changes in the state of affairs of the Group during the current reporting period.

Auditor's independence declaration

The Company has obtained an independence declaration from our auditors, Deloitte Touche Tohmatsu, which follows the Directors' Report.

Subsequent events

The Group has rolled over its R&D expenditure facility with CBA effective from 30 January 2018. This provides pre-funding for eligible R&D expenditure to be incurred during the year ended 30 June 2018. The FY18 CBA facility has a limit of $5.4 million.

The Group has revised the Gas Sales Agreement with Orora Limited (Orora) to better align with the revised development strategy for the SCBGP. Orora will have the option to purchase 45PJ of gas to be produced from the PEL 96 permit area, at 4.5PJ per annum over a 10 year term, commencing on or after 1 January 2020.

The vertical intercept well spud occurred on 15 February 2018 as part of the Jaws-1 appraisal campaign.

With the exception of the above, there have been no other events subsequent to 31 December 2017 that would require adjustment to or disclosure in the condensed consolidated financial statements.

Directors' Report

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Stuart Nicholls, Managing Director

Adelaide, South Australia, 21 February 2018

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Australia

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21 February 2018

The Board of Directors
Strike Energy Limited
1/31-35 George Street
THEBARTON SA 5031

Dear Board Members

Strike Energy Limited

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

As lead audit partner for the review of the financial statements of Strike Energy Limited for the financial half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants

Deloitte.

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

We have reviewed the accompanying half-year financial report of Strike Energy Limited, which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year as set out on pages 7 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Strike Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing

Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Strike Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants
Adelaide, 21 February 2018

Directors' Declaration

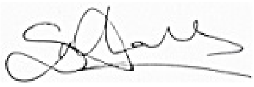
The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Stuart Nicholls

Managing Director

Adelaide, South Australia

21 February 2018

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the half-year period ended 31 December 2017

$'000	*Note*	31 Dec 2017	31 Dec 2016
Other income	**7(a)**	771	500
Total revenue		**771**	**500**
Operating and administration expenses	**7(b)**	(1,627)	(1,066)
Loss from operating activities		**(856)**	**(566)**
Financial income	**8**	38	44
Financial expense	**8**	(129)	(149)
Net financial expense		**(91)**	**(105)**
Loss before income tax		**(947)**	**(671)**
Income tax benefit	**9**	3,697	6,334
Profit for the period from continuing operations		**2,750**	**5,663**
Loss for the period from discontinued operations	**21**	-	(454)
Profit for the period		**2,750**	**5,209**
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		-	(70)
Other comprehensive loss for the period, net of income tax		**-**	**(70)**
Total comprehensive income for the period		**2,750**	**5,139**
Total comprehensive income attributable to owners of the Company		**2,750**	**5,139**
Earnings per share			
From continuing and discontinued operations			
- Basic (cents per share)	**20**	0.28	0.57
- Diluted (cents per share)	**20**	0.28	0.57
Earnings per share			
From continuing operations			
- Basic (cents per share)		0.28	0.62
- Diluted (cents per share)		0.28	0.62

The Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2017

$'000	*Note*	31 Dec 2017	30 June 2017
Cash and cash equivalents	**10**	7,972	4,863
Trade and other receivables	**11**	1,835	417
Other assets	**12**	1,176	104
Total current assets		**10,983**	**5,384**
Exploration and evaluation assets	**13**	70,703	66,946
Property, plant and equipment		113	139
Other assets	**12**	33	33
Total non-current assets		**70,849**	**67,118**
Total assets		**81,832**	**72,502**
Trade and other payables	**14**	(2,033)	(1,004)
Employee benefits		(78)	(97)
Provisions	**15**	-	(12)
Borrowings	**16**	-	(3,158)
Total current liabilities		**(2,111)**	**(4,271)**
Employee benefits		(29)	(28)
Provisions	**15**	(1,601)	-
Borrowings	**16**	(2,323)	(2,500)
Other liabilities	**17**	(12,785)	(14,100)
Total non-current liabilities		**(16,738)**	**(16,628)**
Total liabilities		**(18,849)**	**(20,899)**
Net assets		**62,983**	**51,603**
Equity			
Issued capital	**18**	140,897	132,272
Reserves	**19**	767	762
Accumulated losses		(78,681)	(81,431)
Total equity		**62,983**	**51,603**

The condensed consolidated statement of financial position should be read in conjunction with the notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year period ended 31 December 2017

$'000	Issued Capital	Share-based payments reserve	Foreign currency translation reserve	Total Reserves	Accumulated Losses	Total Equity
Balance at 1 Jul 2016	**128,122**	**5,459**	**(10,925)**	**(5,466)**	**(81,037)**	**41,619**
Exchange differences arising on translation of foreign operations	-	-	(70)	(70)	-	(70)
Profit for the period	-	-	-	-	5,209	5,209
Total comprehensive income for the period	**-**	**-**	**(70)**	**(70)**	**5,209**	**5,139**
Issue of ordinary shares during the period	4,502	-	-	-	-	4,502
Recognition of share-based payments	-	(597)	-	(597)	-	(597)
Share issue costs	(349)	-	-	-	-	(349)
Balance at 31 Dec 2016	**132,275**	**4,862**	**(10,995)**	**(6,133)**	**(75,828)**	**50,314**
Balance at 1 Jul 2017	**132,272**	**762**	**-**	**762**	**(81,431)**	**51,603**
Exchange differences arising on translation of foreign operations	-	-			-	-
Profit for the period	-	-	-	-	2,750	2,750
Total comprehensive income for the period	**-**	**-**			**2,750**	**2,750**
Issue of ordinary shares during the period	9,100	-	-	-	-	9,100
Recognition of share-based payments	-	5	-	5	-	5
Share issue costs	(475)		-	-	-	(475)
Balance at 31 Dec 2017	**140,897**	**767**	**-**	**767**	**(78,681)**	**62,983**

The condensed consolidated statement of changes in equity should be read in conjunction with the notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the half-year period ended 31 December 2017

$'000	31 Dec 2017	31 Dec 2016
Cash flows from operating activities		
Receipts from customers	-	655
R&D refund	3,697	6,334
Net receipts from joint venture recoveries	953	494
Payments to suppliers and employees	(2,009)	(3,782)
Net cash provided by operating activities	**2,641**	**3,701**
Cash flows from investing activities		
Payments for exploration, evaluation expenditure and oil and gas production assets	(3,358)	(4,840)
Prepayment for exploration, evaluation expenditure	(1,000)	-
Advances made to JV partners	(580)	-
Proceeds from sale of oil and gas producing assets	-	44
Payments for property, plant and equipment	-	(12)
Net cash used in investing activities	**(4,938)**	**(4,808)**
Cash flows from financing activities		
Proceeds from issue of equity instruments	9,100	4,502
Payment of share issue costs	(475)	(349)
Proceeds from borrowings	-	1,320
Repayment of borrowings	(3,199)	(4,113)
Payment of borrowing costs	-	(62)
Term deposit maturity	33	-
Interest received	77	47
Interest paid	(122)	(236)
Net cash provided by/(used in) financing activities	**5,414**	**1,109**
Net increase/(decrease) in cash and cash equivalents	**3,117**	**2**
Cash and cash equivalents at the beginning of the period	**4,863**	**7,214**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(8)	(11)
Cash and cash equivalents at the end of the period	**7,972**	**7,205**

The condensed consolidated statement of cash flows should be read in conjunction with the notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

1. Reporting entity

Strike Energy Limited (the "Company") is a for profit company limited by shares and incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange, with additional listings on the Frankfurt and Munich stock exchanges in Germany.

The condensed consolidated financial statements of the Company as at and for the half-year period ended 31 December 2017 comprises of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates, joint ventures and joint operations.

The Group is principally engaged in the exploration and development of oil and gas resources in Australia.

The address of the registered office of the Company is Unit 1, 31-35 George Street, Thebarton, South Australia, 5031, Australia.

2. Basis of preparation

2.1 Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with the Corporations Act and *AASB 134 Interim Financial Reporting*. The condensed consolidated financial statements also comply with International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB") where relevant. The disclosures required in these condensed consolidated financial statements are less extensive than the disclosure requirements for annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial report of the Group for the year ended 30 June 2017.

The condensed consolidated financial statements comprise the Condensed Statements of Profit and Loss and Other Comprehensive Income, Financial Position, Changes in Equity and Cash Flows as well as the relevant notes to the condensed consolidated financial statements.

2.2 Going concern

The condensed consolidated financial statements have been prepared using the going concern assumption. Subsequent to the year end the Company has signed a facility agreement to receive R&D grants in advance. The total R&D facility is $5.4 million and this will be repaid with R&D grants received.

The Company has sufficient cash and debt resources to meet its share of the costs associated with the Jaws-1 appraisal programme. Any further exploration and evaluation expenditure outside the current program will require further financing.

2.3 Basis of measurement

The condensed consolidated financial statements have been prepared under the historical cost convention except for derivatives which are measured at fair value.

2.4 Presentation currency

These condensed consolidated financial statements are presented in Australian Dollars ("AUD"), which is the Group's functional currency.

2.5 Rounding of amounts

The Company and Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that legislative instrument, amounts in the condensed consolidated financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

2.6 Reclassification of comparative information

Certain elements of the information presented for comparative purposes have been revised to conform with the current period presentation. The Group has historically shown total salaries paid within Employment benefits expense and a cost recovery from the PEL 96 joint venture in Other income for salaries relating to the PEL 96 project. For 31 December 2017 cost recoveries from the Group's 66.667% ownership interest in PEL 96 have been netted with

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

Employment benefits expense within the Operating and administration expenses category in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. Cost recoveries now reflect only recoveries from external joint venture partners. For the comparative period (half year ended 31 December 2016) an amount of $1.0m has been reclassified from Other income to Employment benefits expense within Operating and administrative expenses. This adjustment does not have an impact on the Profit for the period.

As noted in the 30 June 2017 financial report Research and Development incentive has been reclassified from Other income to Income tax within the Consolidated Statement of Profit and Loss and Other Comprehensive Income. For the comparative period an amount of $6.3 million has been reclassified from Other income to Income tax.

2.7 Accounting policies and recently issued accounting pronouncements

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in the annual financial statements for the year ended 30 June 2017.

Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current financial period.

- AASB 2016-2 Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Further Annual Improvements 2014-2016 Cycle

The initial adoption of each of the above standards, interpretations and revisions has not had a material impact on the amounts reported in these condensed consolidated financial statements but may affect the accounting for future transactions or arrangements.

Standards and Interpretations in issue not yet adopted

At the date of authorising the condensed consolidated financial report, the following Standards and Interpretations listed below were issued but not yet effective.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 ‘Financial Instruments’, and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 ‘Revenue from Contracts with Customers’	1 January 2018	30 June 2019
AASB 16 ‘Leases’	1 January 2019	30 June 2020

The Directors anticipate that the above amendments and interpretations will not have a material impact on the financial report of the Group in the year or period of initial application.

3. Seasonality

The Group’s operations are currently not exposed to material changes due to seasonality.

4. Financial risk management

Exposure to market risk (including currency risk, interest rate risk and commodity prices risk), credit risk and liquidity risk arises in the normal course of the Group’s business. During the half-year ended 31 December 2017, the Group continued to apply the risk management objectives and policies as disclosed in the annual financial report for the year ended 30 June 2017.

5. Use of estimates and judgements

The preparation of these condensed consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

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 key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are consistent to those as disclosed in the annual financial report for the year ended 30 June 2017.

6. Segment reporting

AASB 8 Operating Segments ("AASB 8") requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Makers ("CODM") in order to allocate resources to the segment and to assess its performance.

The Group's CODM are the Board of Directors of the Company, the Managing Director and the Chief Financial Officer. Information reported to the Group's CODM for the purposes of resource allocation and assessment of performance currently focuses on the Group's exploration and production activities in Australia.

Consistent with the Group's strategy to focus its exploration and evaluation activity in Australia, with effect from 1 January 2017, the Group has one reportable segment being Australia.

Information about major customers

There is no revenue from continuing operations. Included in Loss for the period from discontinued operations is revenue from oil and gas sales of $0 (2016: $543,521) which arose from sales to the Group's largest customer.

7. Revenue and expenses

For the half-year period ended **$'000**	**31 Dec 2017**	**31 Dec 2016**
(a) Other income		
Cost recoveries	738	494
Other	33	6
	771	**500**
(b) Operating and administration expenses		
Depreciation – property, plant and equipment	(26)	(26)
Employee benefits expense	(991)	(883)
Share-based payments expense	(5)	597
Corporate expenses	(262)	(237)
Legal fees	(37)	(124)
Consulting fees	(40)	(157)
Office costs	(39)	(72)
Other	(227)	(164)
	(1,627)	**(1,066)**

8. Net financial expense

For the half-year period ended **$'000**	**31 Dec 2017**	**31 Dec 2016**
Interest income on cash and cash equivalents	38	44
Financial income	**38**	**44**
Interest expense on financial liabilities	(85)	(99)
Financing transaction costs and fees	(41)	(36)
Net foreign currency exchange loss	(3)	(14)
Financial expense	**(129)**	**(149)**

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

9. Income tax

For the half-year period ended $'000	31 Dec 2017	31 Dec 2016
Reconciliation of effective tax rate		
Profit/(Loss) from continuing operations	**(947)**	**(671)**
Income tax benefit/(expense) calculated at 30%	284	201
Effect of income and expenditure that is either not assessable or deductible in determining taxable profit	(1)	178
Effect of tax concessions (research and development and other allowances)	2,621	5,120
Effect of deferred tax arising from equity	138	117
Effect of deferred tax expense not brought to account	655	718
Income tax benefit/(expense)	**3,697**	**6,334**

10. Cash and cash equivalents

As at $'000	31 Dec 2017	30 June 2017
Cash and cash equivalents	7,972	4,863
	7,972	**4,863**

11. Trade and other receivables

As at $'000	31 Dec 2017	30 June 2017
Current		
GST receivable	143	-
Receivable from Joint Venture partner	1,682	-
Other receivables	10	417
	1,835	**417**

12. Other assets

As at $'000	31 Dec 2017	30 June 2017
Current		
Prepayments	1,144	51
Security deposits	17	50
Advances	15	3
	1,176	**104**
Non-current		
Security deposits	33	33
	33	**33**

Strike has entered into an integrated drilling and stimulation contract with Halliburton for the delivery of Jaws-1. A prepayment has been made by the Group of $1.0m (Strike's share of a total $1.5m paid by the joint venture).

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

13. Exploration and evaluation assets

For the half-year period ended $'000	Total
Balance at 1 July 2017	**66,946**
Additions	3,648
Change in restoration provision	1,601
PACE grant release from deferred income	(1,492)
Balance at 31 December 2017	**70,703**

The restoration provision, established as at 31 December 2017, is capitalised as a cost of exploration and evaluation of the Cooper Basin permits.

The PACE grant funding received as at 30 June 2017 reduces the cost of the exploration and evaluation asset as the expenditure, that was the subject of the grant, is incurred and capitalised.

14. Trade and other payables

As at $'000	31 Dec 2017	30 June 2017
Current		
Trade payables	810	421
Accruals and other payables	1,223	583
	2,033	1,004

15. Provisions

As at $'000	31 Dec 2017	30 June 2017
Current		
Restructuring	-	12
	-	12
Non-Current		
Restoration Provision	1,601	-
	1,601	**-**

A provision has been raised as at 31 December 2017 for the future restoration costs associated with Strike's interests in PEL 94, PEL 95 and PEL 96. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas and is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

16. Borrowings

As at $'000	31 Dec 2017	30 June 2017
CBA Facility (a)(i)	-	3,158
Total current borrowings		**3,158**
Orica Facility (ii)	2,323	2,500
Total non-current borrowings	**2,323**	**2,500**
(a) CBA Facility	-	3,199
Debt issuance costs	-	(41)
Carrying amount	**-**	**3,158**

(i) On 30 January 2018, the Group established a new facility with the Commonwealth Bank of Australia (CBA) (the FY18 CBA Facility) to provide pre-funding for eligible R&D expenditure to be incurred up to 30 November 2018. The FY18 CBA Facility has a limit of $5.4 million, which can be drawn down after the related eligible R&D expenditure incurred is validated by the Group's R&D advisors in accordance with the prescribed ATO guidelines and requirements. The FY18 CBA Facility is collateralised in full from the proceeds of the Company's 2018 R&D refund and is secured by a charge over the assets of the Company. Interest accrues at BBSY (for relevant maturity) plus 4.55%.

(ii) The terms and conditions of the Orica Facility were amended on 21 September 2017 along with the terms of the related Gas Sales Agreement. The loan maturity was extended to 31 December 2021 and the loan will accrue interest at 5.8% from 15 July 2018. The principal and accrued interest may be convertible into the Company's ordinary shares in whole or in part at Orica's election after 1 September 2018 subject to the Company's share price being 20 cents or greater. The conversion price is the weighted average price for Strike shares for the previous 30 days of trading. The fair value of the Orica Facility is estimated to be $2.17 million and the valuation is classified as level 2 (refer Note 18 for description.) The Gas Sales Agreement was amended to reduce the maximum volume of the contract from 250PJ to 64PJ and to increase the price on the remaining volume.

17. Other liabilities

As at $'000	31 Dec 2017	30 June 2017
Unearned revenue – Gas prepayment agreements	12,277	12,100
Deferred income – unapplied PACE grant	508	2,000
Total current borrowings	**12,785**	**14,100**

The deferred income from the PACE grant is capitalised as Exploration and evaluation assets when the expenditure that the grant relates to is incurred.

18. Issued capital

	Number of shares (No'000)		Issued capital ($'000)	
For the period ended	**31 Dec 2017**	**30 June 2017**	**31 Dec 2017**	**30 June 2017**
Balance at beginning of period	964,640	900,331	132,272	128,122
Rights issues during the period, net of transaction costs	-	64,309	-	4,150
Placements during the period, net of transaction costs	130,000	-	8,625	-
Balance at end of period	**1,094,640**	**964,640**	**140,897**	**132,272**

During September 2017 Strike raised $9.1 million (before costs) through placement of 130,000,000 fully paid ordinary shares at $0.07 per share.

All issued ordinary shares are fully paid and have no par value.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share. All shares rank equally with regards to the Group's residual assets in the event of a wind-up.

19. Reserves

As at $'000	31 Dec 2017	30 June 2017
Share-based payments reserve	767	762
	767	**762**

Share-based payments reserve

Under the terms of the Employee Share Incentive Plan (the Plan) which was last approved by the Shareholders of the Company on 11 November 2016, both share options and performance rights can be granted to eligible employees for no consideration. Awards are granted for a two to three-year period, with a number of vesting conditions attached. Entitlements under these awards vest as soon as the associated vesting conditions have been met. Awards cannot be settled in cash. Awards under the plan carry no dividend or voting rights.

Change in instruments on issue

For the half-year period ended 31 December 2017	Number of instruments ('000)	Weighted average exercise price ($)
Balance at beginning of period		
- Options	**4,200**	**0.1488**
- Performance rights	**12,550**	-
Options granted during the period	20,000	0.1500
Options expired during the period	-	
Performance rights cancelled/forfeited during the period	(5,800)	-
Options cancelled/forfeited during the period	(1,000)	0.1993
Balance at end of period		
- Options	**23,200**	**0.1542**
- Performance rights	**6,750**	-

During the half-year period ended 31 December 2017, the Group issued 20,000,000 options and nil performance rights (2016: Nil Performance Rights and Nil Options) under the Plan. In addition, 5,800,000 Performance Rights and 1,000,000 Options were forfeited or surrendered (2016: 11,000,000 Performance Rights and 3,000,000 Options), and Nil Performance Rights and Nil Options expired (2016: Nil Performance Rights and 7,000,000 Options). The net expense recognised in the profit or loss component of the Statement of Profit and Loss and Other Comprehensive income in relation to share-based payments was $4,775 (2016: net benefit of $597,225).

Instruments outstanding

The balance of share options and performance rights on issue as at 31 December 2017 is as follows:

Instrument	Date granted	Date exercisable	Expiry date	Exercise price of instrument	Number of instruments	Fair value at grant date
Options	10 April 2013	10 April 2014	10 April 2018	$0.1793	100,000	$0.0431
Options	10 April 2013	10 April 2015	10 April 2018	$0.1793	100,000	$0.0439
Options	7 April 2017	7 April 2017	7 April 2020	$0.12	2,000,000	$0.0120
Options	1 June 2017	1 June 2017	1 June 2020	$0.15	1,000,000	$0.0030
Options	21 August 2017	21 August 2017	21 August 2020	$0.15	13,000,000	$0.0161
Options	16 November 2017	16 November 2017	16 November 2020	$0.15	7,000,000	$0.0176
Total Options					**23,200,000**	

Notes to the Condensed Consolidated Financial Statements
For the half-year period ended 31 December 2017

Instrument	Date granted	Date exercisable	Expiry date	Exercise price of instrument	Number of instruments	Fair value at grant date
Performance rights	23 May 2016	Up to 30 October 2018	30 October 2018	-	66,667	$0.0650
Performance rights	23 May 2016	Up to 30 October 2018	30 October 2018	-	66,667	$0.0300
Performance rights	23 May 2016	Up to 30 October 2018	30 October 2018	-	66,666	$0.0150
Performance rights	30 October 2014	Up to 30 October 2018	30 October 2018	-	2,033,334	$0.0710
Performance rights	30 October 2014	Up to 30 October 2018	30 October 2018	-	2,033,333	$0.0490
Performance rights	30 October 2014	Up to 30 October 2018	30 October 2018	-	2,033,333	$0.0340
Performance rights	7 August 2015	Up to 30 October 2018	30 October 2018	-	150,000	$0.0940
Performance rights	7 August 2015	Up to 30 October 2018	30 October 2018	-	150,000	$0.0560
Performance rights	7 August 2015	Up to 30 October 2018	30 October 2018	-	150,000	$0.0360
Total Performance Rights					**6,750,000**	
Total Outstanding					**29,950,000**	

Dividends

No dividends have been declared or paid during the period.

20. Earnings per share

The profit and weighted average number of ordinary shares used in the calculations of basic and diluted earnings per share are as follows:

As at/for the half-year period ended	31 Dec 2017	31 Dec 2016
Net profit attributed to ordinary shareholders (in $'000)	2,750	5,209
Profit used in calculating basic and diluted earnings per share (in $'000)	**2,750**	**5,209**
Number of shares (No '000)	1,094,640	964,640
Weighted average number of ordinary shares used in calculating basic earnings per share (No '000)	998,476	906,972
Diluted earnings per share:		
The weighted average number of instruments which are potential ordinary shares that are not dilutive and hence not used in the valuation of the diluted earnings per share (No '000)	23,200	19,150
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share (No '000)	**998,476**	**906,972**
Basic earnings per share (cents per share)	0.28	0.57
Diluted earnings per share (cents per share)	0.28	0.57

21. Discontinued operations

In October 2016, the Group, along with the participants to the Eagle Ford Joint Venture, entered into and completed the disposal of its working interest in the Eagle Ford JV project area to a third party. The proceeds, net of transaction costs, were applied to pay down a portion of the BlueRock facility.

In addition, with effect from 1 January 2017, the Group disposed its interest separately in the Louise and Permian Clearfork project areas to third parties. Under the terms of these agreements, the purchaser of the Permian Clearfork project area paid consideration of US$175,000 (which was used to reduce the principal under the BlueRock facility), and the purchaser of the Louise project areas assumed in full the remaining obligations under the BlueRock facility.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

As at $'000	31 Dec 17	31 Dec 16
Profit for the year from discontinued operations		
Revenue from oil and gas	-	652
Cost of sales	-	(746)
Other income	-	22
Expenses	-	(382)
Profit/(loss) before tax	-	(454)
Attributable income tax expense	-	-
Profit/(loss) for the year from discontinued operations (attributable to owners of the company)	**-**	**(454)**
Cash flows from discontinued operations		
Net cash inflows/(outflows) from operating activities	-	**(250)**
Net cash inflows/(outflows) from investing activities	-	**109**
Net cash inflows/(outflows) from financing activities	-	**179**
Net cash inflows/(outflows)	**-**	**38**

22. 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 an orderly transaction between market participants.

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

The fair value of the Orica Facility is described in Note 16.

Fair values are categorised 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).

23. Contingencies and commitments

The directors are not aware of any contingent liabilities or contingent assets in relation to the Group.

The Group has entered into a contract with Halliburton Australia Pty Ltd for project management and execution of the drilling, fracture simulation, casing and cementing in relation to Klebb 5 and Jaws 1 wells. This agreement contains an embedded operating lease for the drill rig for a cost of approximately $4.3 million. This lease has a term of less than 12 months.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2017

24. Subsequent events

The Group has rolled over its R&D expenditure facility with CBA effective from 30 January 2018. This provides pre-funding for eligible R&D expenditure to be incurred during the year ended 30 June 2018. The FY18 CBA facility has a limit of $5.4 million.

The Group has revised the Gas Sales Agreement with Orora Limited (Orora) to better align with the revised development strategy for the SCBGP. Orora will have the option to purchase 45PJ of gas to be produced from the PEL 96 permit area, at 4.5PJ per annum over a 10 year term, commencing on or after 1 January 2020.

The Jaws 1 vertical well spud occurred on 15 February 2018.

With the exception of the above, there have been no other events subsequent to 31 December 2017 that would require adjustment to or disclosure in the condensed consolidated financial statements.

CORPORATE DIRECTORY

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Mr S Nicholls (Managing Director)
Ms J Rowe (Non-Executive Director)
Mr T Goyder (Non-Executive Director)
Mr A Seaton (Non-Executive Director)

Company Secretary
Mr J Ferravant

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