Strike Energy

ACN 078 012 745

Financial Report for the half-year ended 31 December 2018

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 2018.

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 Stuart Nicholls	Managing Director and Chief Executive Officer
• Mr Stephen Bizzell	Director (non-executive) (appointed 31 December 2018)
• Mr Tim Goyder	Director (non-executive) (resigned 31 December 2018)
• Ms Jody Rowe	Director (non-executive)
• Mr Andrew Seaton	Director (non-executive)
• Mr Justin Ferravant	Company Secretary

Review of operations

Strike has progressed asset evaluation across its portfolio with piloting of the Jaws wells and preparation for the drilling of the West Erregulla-2 well in the Perth Basin. The acquisition of UIL Energy Ltd has added to Strike's position in the Perth Basin with three exploration permits adjacent to West Erregulla. The strategy of holding assets in both east and west coasts provides resilience and diversification to the portfolio.

Southern Cooper Basin

Pilot testing commenced of the Jaws wells in August 2018 and has moved through the bulk dewatering phase to a point where bottom hole pressures are sufficiently low to generate gas desorption from the coal. Gas production has grown from December 2018 with daily trend data indicative of matrix desorption occurring. On the 1st of January 2019, a significant gas desorption event occurred, which resulted in a gas surge with higher flowrates than previously experienced. During the gas event, a sand body was deposited into the wellbore from what is believed to be one of the induced fractures which impacted communication between the horizontal and vertical wells. A workover was conducted to clean out the wells and both pumps were brought back online with communication between the two wells re-established.

The Jaws operations will continue in 2019 as a critical step to proving the commerciality of the Southern Cooper Basin deep coals.

Perth Basin

Strike has completed reprocessing of the West Erregulla 3D seismic and reinterpretation. The reprocessed seismic indicates improved structural confidence, reaffirming the previous interpretation of an amplitude anomaly over the structure, indicative of gas filled porosity. Strike believes the West Erregulla prospect at the Kingia-High Cliff level is now one of the largest pre-drilled conventional onshore prospects in Australia with a best estimate (P50) OGIIP of 916 BCF (458 BCF net to Strike). Reprocessed seismic data on the basal Wagina formation also shows a secondary gas play.

The Company is preparing for the drilling of the West Erregulla 2 well and has secured the Easternwell 106 drilling rig. Drilling is expected to commence in the second quarter of 2019. The proximity to both the Waitsia and Beharra Springs discoveries, which also target conventional accumulations in both the Kingia-High Cliff and Dongara-Wagina sands, contributes to the heightened focus and activity in the Perth Basin over 2019.

UIL Energy Ltd Acquisition

The Company successfully attained over 92% of acceptances to the UIL Energy Ltd (UIL) takeover offer and subsequently completed the compulsory acquisition in January 2019. The transaction was a scrip offer and Strike welcomes the UIL shareholders to the register.

The UIL permits are located within the Perth Basin and the combination of the UIL and Strike permits within a single portfolio, provides exposure to drilling at West Erregulla in the near-term and exploration potential to the south and

Directors' Report

east in a proven oil and gas fairway. The Company plans to finalise ancillary agreements to enable granting of the UIL permit applications (EPA82, EPA98 and EPA99) which are located in the northern Perth Basin adjacent to West Erregulla.

Corporate

The Group successfully raised $17 million (pre-transaction costs) in the second half of 2018 to fund the Jaws operations, West Erregulla and working capital.

The Group made a loss for the period of $0.8 million due to net corporate operating and administrative expenses. The 2017-18 (Jaws) R&D tax incentive claim is under an assessment by Innovation and Science Australia and as such an income tax refund was not recognised in the half-year financial report (2017: $3.7 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

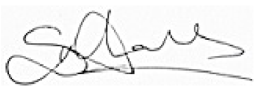
The Company has obtained an independence declaration from our auditors, Deloitte Touche Tohmatsu, which follows the Directors' Report.

Subsequent events

There have been no events subsequent to 31 December 2018 that would require adjustment to or disclosure in the condensed consolidated financial statements.

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, 28 February 2019

Directors' Report

Deloitte.

Deloitte Touche Tohmatsu
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Adelaide, SA, 5000
Australia

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28 February 2019

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 half-year ended 31 December 2018, 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 Touche Tohmatsu
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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 2018, the condensed statement of profit or 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 2018 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.

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 2018 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 in the financial report which indicates that for the half-year ended 31 December 2018, the consolidated entity incurred a net loss of $826,000 and experienced net cash outflows from operating activities of $763,000 and investing activities of $6,473,000.

These conditions, along with other matters as set forth in Note 2.2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants
Adelaide, 28 February 2019

Directors' Declaration

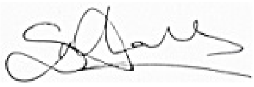
The Directors declare that:

(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

28 February 2019

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the half-year period ended 31 December 2018

$'000	*Note*	31 Dec 2018	31 Dec 2017
Other income	7(a)	581	771
Total revenue		**581**	**771**
Operating and administration expenses	7(b)	(1,196)	(1,627)
Loss from operating activities		**(615)**	**(856)**
Financial income	8	36	38
Financial expense	8	(247)	(129)
Net financial expense		**(211)**	**(91)**
Loss before income tax		**(826)**	**(947)**
Income tax benefit	9	-	3,697
Profit (loss) for the period		**(826)**	**2,750**
Total comprehensive income attributable to owners of the Company		**(826)**	**2,750**
Earnings per share			
From continuing and discontinued operations			
- Basic (cents per share)	20	(0.07)	0.28
- Diluted (cents per share)	20	(0.07)	0.28
Earnings per share			
From continuing operations			
- Basic (cents per share)		(0.07)	0.28
- Diluted (cents per share)		(0.07)	0.28

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 2018

$'000	*Note*	31 Dec 2018	30 June 2018
Cash and cash equivalents	10	11,518	2,973
Trade and other receivables	11	443	572
Inventory		174	-
Other assets	12	287	206
Total current assets		**12,422**	**3,751**
Exploration and evaluation assets	13	101,795	84,108
Property, plant and equipment		117	88
Other assets	12	-	31
Total non-current assets		**101,912**	**84,227**
Total assets		**114,334**	**87,978**
Trade and other payables	14	(3,186)	(2,703)
Employee benefits		(213)	(169)
Provisions	15	-	(53)
Borrowings	16	(5,265)	(5,265)
Total current liabilities		**(8,664)**	**(8,190)**
Employee benefits		(80)	(54)
Provisions	15	(1,934)	(1,889)
Borrowings	16	(2,452)	(2,442)
Other liabilities	17	(12,277)	(12,277)
Total non-current liabilities		**(16,743)**	**(16,662)**
Total liabilities		**(25,407)**	**(24,852)**
Net assets		**88,927**	**63,126**
Equity			
Issued capital	18	167,463	140,897
Reserves	19	1,564	1,503
Accumulated losses		(80,100)	(79,274)
Total equity		**88,927**	**63,126**

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 2018

$'000	Issued Capital	Total Reserves	Accumulated Losses	Total Equity
Balance at 1 Jul 2017	**132,272**	**762**	**(81,431)**	**51,603**
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
Share issue costs	(475)	-	-	(475)
Balance at 31 Dec 2017	**140,897**	**767**	**(78,681)**	**62,983**
Balance at 1 Jul 2018	**140,897**	**1,503**	**(79,274)**	**63,126**
Profit for the period	-	-	(826)	(826)
Total comprehensive income for the period	**-**	**-**	**(826)**	**(826)**
Issue of ordinary shares during the period	27,695	-	-	27,695
Recognition of share-based payments	-	61	-	61
Share issue costs	(1,129)	-	-	(1,129)
Balance at 31 Dec 2018	**167,463**	**1,564**	**(80,100)**	**88,927**

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 2018

$'000	31 Dec 2018	31 Dec 2017
Cash flows from operating activities		
R&D refund	-	3,697
Net receipts from joint venture recoveries	1,233	953
Payments to suppliers and employees	(1,996)	(2,009)
Net cash (used in)/provided by operating activities	**(763)**	**2,641**
Cash flows from investing activities		
Payments for exploration, evaluation expenditure and oil and gas production assets	(6,107)	(3,358)
Prepayment for exploration, evaluation expenditure	-	(1,000)
Advances made to JV partners	-	(580)
Payments made for acquisition costs	(315)	-
Payments for property, plant and equipment	(51)	-
Net cash used in investing activities	**(6,473)**	**(4,938)**
Cash flows from financing activities		
Proceeds from issue of equity instruments	17,111	9,100
Payment of share issue costs	(1,091)	(475)
Repayment of borrowings	-	(3,199)
Term deposit maturity	7	33
Interest received	23	77
Interest paid	(250)	(122)
Net cash provided by/(used in) financing activities	**15,800**	**5,414**
Net increase/(decrease) in cash and cash equivalents	**8,564**	**3,117**
Cash and cash equivalents at the beginning of the period	**2,973**	**4,863**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(19)	(8)
Cash and cash equivalents at the end of the period	**11,518**	**7,972**

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 2018

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 2018 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 2018.

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 consolidated financial statements have been prepared on the going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

For the half year ended 31 December 2018 the Group incurred a net loss before income tax of $826,000 (2017: net loss before income tax $947,000), had a net cash outflow from operating activities of $763,000 (2017: $2,641,000 inflow which included an R&D refund of $3,697,000) and a net cash outflow from investing activities of $6,473,000 (2017: $4,938,000). As at 31 December 2018, the Group had a net current asset surplus position of $3,758,000 (2018: net current asset deficiency $4,439,000) and cash reserves of $11,518,000 (2018: $2,973,000).

The Group raised $17 million (pre-transaction costs) in the second half of 2018 to fund the Jaws operations, West Erregulla and working capital.

As detailed in Note 15, the Group has a banking facility which provides pre-funding for eligible R&D expenditure. Proceeds of the Group's 2018 R&D refund were expected to fund the facility repayment on 30 March 2019. However as announced on 23 January 2019, the Group received an adverse finding from Innovation and Science Australia (ISA) regarding its 2017-18 (Jaws) R&D tax incentive claim. The ISA review process is expected to take 6-8 months which means there is now misalignment between the expected receipt of the R&D refund for 2018 and the repayment timelines of the CBA facility. The Group will either need to renegotiate the terms of the CBA facility, refinance the facility or raise additional funds. The Group is currently in discussions with CBA to realign the facility with the expected timing of the R&D refund.

In the event that the Group is unable to renegotiate terms or refinance the CBA facility or raise additional funds, a material uncertainty would exist that may cast significant doubt on the Group's ability to continue as a going concern.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2018

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 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 2018.

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
- AASB 9 'Financial Instruments', and the relevant amending standards
- AASB 15 'Revenue from Contracts with Customers'

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 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. 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 2018, the Group continued to apply the risk management objectives and policies as disclosed in the annual financial report for the year ended 30 June 2018.

4. 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

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2018

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 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 2018.

5. 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 2018, the Group has one reportable segment being Australia.

6. Revenue and expenses

For the half-year period ended $'000	31 Dec 2018	31 Dec 2017
(a) Other income		
Cost recoveries	580	738
Other	1	33
	581	**771**
(b) Operating and administration expenses		
Depreciation – property, plant and equipment	(22)	(26)
Employee benefits expense	(452)	(991)
Share-based payments expense	-	(5)
Corporate expenses	(454)	(262)
Legal fees	(116)	(37)
Consulting fees	(19)	(40)
Office costs	(125)	(39)
Other	(8)	(227)
	(1,196)	**(1,627)**

7. Net financial expense

For the half-year period ended $'000	31 Dec 2018	31 Dec 2017
Interest income on cash and cash equivalents	36	38
Financial income	**36**	**38**
Interest expense on financial liabilities	(241)	(85)
Financing transaction costs and fees	-	(41)
Net foreign currency exchange loss	(6)	(3)
Financial expense	**(247)**	**(129)**

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2018

8. Income tax

For the half-year period ended $'000	31 Dec 2018	31 Dec 2017
Reconciliation of effective tax rate		
Profit/(Loss) from continuing operations	**(826)**	**(947)**
Income tax benefit/(expense) calculated at 30%	248	284
Effect of income and expenditure that is either not assessable or deductible in determining taxable profit	(4)	(1)
Effect of tax concessions (research and development and other allowances)	-	2,621
Effect of deferred tax arising from equity	140	138
Effect of deferred tax expense not brought to account	(384)	655
Income tax benefit/(expense)	**-**	**3,697**

9. Cash and cash equivalents

As at $'000	31 Dec 2018	30 June 2018
Cash and cash equivalents	11,518	2,973
	11,518	**2,973**

10. Trade and other receivables

As at $'000	31 Dec 2018	30 June 2018
Current		
GST receivable	47	210
Other receivables	396	362
	443	**572**

11. Other assets

As at $'000	31 Dec 2018	30 June 2018
Current		
Prepayments	108	52
Security deposits	167	143
Advances	12	11
	287	**206**
Non-current		
Security deposits	-	31
	-	**31**

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2018

12. Exploration and evaluation assets

For the half-year period ended $'000	Total
Balance at 1 July 2018	**84,108**
Additions	6,223
UIL acquisition	11,517
Change in restoration provision	(53)
Balance at 31 December 2018	**101,795**

13. Trade and other payables

As at $'000	31 Dec 2018	30 June 2018
Current		
Trade payables	1,695	1,060
Accruals and other payables	1,491	1,643
	3,186	**2,703**

14. Provisions

As at $'000	31 Dec 2018	30 June 2018
Current		
Restoration Provision	-	53
Non-Current		
Restoration Provision	1,934	1,889
	1,934	**1,942**

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.

15. Borrowings

As at $'000	31 Dec 2018	30 June 2018
CBA Facility (a)(i)	5,265	5,265
Total current borrowings	**5,265**	**5,265**
Orica Facility (ii)	2,452	2,442
Total non-current borrowings	**2,452**	**2,442**

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2018

(i) On 30 January 2018, the Group established a 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 June 2018. The FY18 CBA Facility has a limit of $5.265 million, which has been fully drawn down 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 Strike Energy Limited. Interest accrues at BBSY (for relevant maturity) plus 4.75%. The FY18 CBA Facility was originally due for repayment on 30 November 2018 and extended until 30 March 2019. The Group is in discussions with CBA to realign the facility with the timing of the review.

(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 $2.452 million and the valuation is classified as level 2 (refer Note 20 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.

16. Other liabilities

As at $'000	31 Dec 2018	30 June 2018
Unearned revenue – Gas prepayment agreements	12,277	12,277
Total non-current borrowings	**12,277**	**12,277**

Unearned revenue represents amounts received under the terms of various innovative gas prepayment and option agreements pertaining to the future delivery of gas from the Group's Southern Cooper Basin Gas Project.

17. Issued capital

	Number of shares (No'000)		Issued capital ($'000)	
For the period ended	**31 Dec 2018**	**30 June 2018**	**31 Dec 2018**	**30 June 2018**
Balance at beginning of period	1,094,640	964,640	140,897	132,272
Placements during the period, net of transaction costs	151,568	130,000	16,013	8,625
UIL transaction, net of transaction costs	108,795	-	10,553	-
Balance at end of period	**1,355,003**	**1,094,640**	**167,463**	**140,897**

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

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.

18. Reserves

As at $'000	31 Dec 2018	30 June 2018
Share-based payments reserve	1,564	1,503
	1,564	**1,503**

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.

Notes to the Condensed Consolidated Financial Statements
For the half-year period ended 31 December 2018

Change in instruments on issue

For the half-year period ended 31 December 2018	Number of instruments ('000)
Balance at beginning of period	
- Options	**28,000**
- Performance rights	**15,620**
Options granted during the period	17,998
Performance rights cancelled/forfeited during the period	(690)
Performance rights expired during the period	(5,500)
Balance at end of period	
- Options	**45,998**
- Performance rights	**9,430**

During the half-year period ended 31 December 2018, the Group issued 17,997,890 options as part of the UIL Energy Ltd acquisition. In addition, 6,189,655 performance rights expired or were cancelled relating to the Employee Share Incentive Plan.

Instruments outstanding

The balance of share options and performance rights on issue as at 31 December 2018 is as follows:

Instrument	Date granted	Date exercisable	Expiry date	Exercise price of instrument	Number of instruments	Fair value at grant date
Options	7 April 2017	7 April 2017	7 April 2020	$0.12	2,000,000	$0.012
Options	1 June 2017	1 June 2017	1 June 2020	$0.15	1,000,000	$0.003
Options	21 August 2017	21 August 2017	21 August 2020	$0.15	13,000,000	$0.016
Options	16 November 2017	16 November 2017	16 November 2020	$0.15	7,000,000	$0.011
Options	17 May 2018	17 May 2018	17 May 2021	$0.15	5,000,000	$0.017
Options	28 November 2018	Milestone Based	31 December 2019	Nil	12,078,154	$0.002
Options	27 December 2018	28 November 2018	31 December 2019	$0.103	4,828,467	$0.006
Options	27 December 2018	28 November 2018	31 December 2020	$0.155	1,091,250	$0.007
Total Options					**45,997,871**	
Performance rights	30 October 2014	30 October 2019	30 October 2019	Nil	200,000	$0.071
Performance rights	30 October 2014	30 October 2019	30 October 2019	Nil	200,000	$0.047
Performance rights	30 October 2014	30 October 2019	30 October 2019	Nil	200,000	$0.034
Performance rights	23 May 2016	30 October 2019	30 October 2019	Nil	66,667	$0.065
Performance rights	23 May 2016	30 October 2019	30 October 2019	Nil	66,667	$0.030
Performance rights	23 May 2016	30 October 2019	30 October 2019	Nil	66,666	$0.015
Performance rights	07 August 2015	30 October 2019	30 October 2019	Nil	150,000	$0.094
Performance rights	07 August 2015	30 October 2019	30 October 2019	Nil	150,000	$0.056
Performance rights	07 August 2015	30 October 2019	30 October 2019	Nil	150,000	$0.036
Performance rights	17 May 2018	Milestone based		Nil	2,500,000	$0.076
Performance rights	08 December 2017	01 July 2019	30 September 2019	Nil	5,680,299	$0.145
Total Performance Rights					**9,430,299**	

Dividends

No dividends have been declared or paid during the period.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2018

19. 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 2018	31 Dec 2017
Net profit attributed to ordinary shareholders (in $'000)	(826)	2,750
Profit used in calculating basic and diluted earnings per share (in $'000)	**(826)**	**2,750**
Number of shares (No '000)	1,335,003	1,094,640
Weighted average number of ordinary shares used in calculating basic earnings per share (No '000)	1,130,067	998,476
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)	46,757	23,200
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share (No '000)	**1,130,067**	**998,476**
Basic earnings per share (cents per share)	(0.07)	0.28
Diluted earnings per share (cents per share)	(0.07)	0.28

20. 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 15.

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).

21. Contingencies and commitments

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

22. Subsequent events

There have been no events subsequent to 31 December 2018 that would require adjustment to or disclosure in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2018

CORPORATE DIRECTORY

Directors
John Poynton AO (Chairman)
Stuart Nicholls (Chief Executive Officer and Managing Director)
Stephen Bizzell (Non-Executive Director)
Jody Rowe (Non-Executive Director)
Andrew Seaton (Non-Executive Director)

Company Secretary
Justin Ferravant

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Stock Exchange Listing
Australian Securities Exchange – Code STX
Frankfurt and Munich Stock Exchanges – Code RJN