ACN 078 012 745

Financial Report for the half-year ended 31 December 2019

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 2019.

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)
- Ms Jody Rowe — Director (non-executive)
- Mr Andrew Seaton — Director (non-executive)
- Mr Neville Power — Director (non-executive) (appointed 25th September 2019)
- Mr Justin Ferravant — Company Secretary

Review of operations

The major gas discovery and subsequent resource booking at West Erregulla during the half was a very significant milestone in the Company's history. Strike now operates one of the largest, high quality, onshore conventional gas discoveries made in Australia. The discovery and subsequent resource booking at West Erregulla have laid the foundations for 2020 to be a year of strong progress against our renewed strategy. The technical milestones achieved to date have been reflected in the appreciation in the Company's share price and this created the opportunity for Strike to raise capital for the next stage of development. Further, the Company's strategy to hold assets in Australia's Perth and Cooper Basins provides resilience and diversification to the portfolio.

Perth Basin

The Company completed the drilling and completion of West Erregulla-2 (WE-2) and conducted a multi-rate flow and pressure build-up test. During this testing period WE-2 flowed gas to surface from the Kingia sandstone from 48 metres of perforations across the target interval of 4,799m – 4,951m measured depth. At the largest choke setting (2-inch), the well flowed at a rate of 69 mmscf/d with a wellhead pressure of 700 psig, showing excellent pressure support for future production.

After the initial resource estimate at West Erregulla of 1.185 TCF 2C (gross) it is believed to be one of the largest conventional gas fields discovered onshore Australia.

The discovery at West Erregulla has proven the existence of a deep, conventional gas fairway within the Permian sequence of the Perth Basin. We believe this fairway is highly likely to extend into Strike's 100% owned permits to the south and east. This discovery, together with the outcomes of neighbouring operators' activities, validates Strike's commercial and geological strategy. Strike now holds the largest land and equity position within what is fast becoming one of Australia's most prolific onshore conventional gas basins. Strike is targeting an FID for the Phase-1 development of West Erregulla at the end of Q4 2020, and we continue to advance this milestone as the Company's highest priority.

Strike continued to plan and execute further exploration activities over its extensive Perth Basin position during the half. During the period the Company completed the Walyering 3D seismic acquisition, which delivered high quality data from over 90 km^2 of the Walyering field. The acquisition was completed on time and represents the beginning of an exciting exploration program that will continue within the Strike 100% owned Perth Basin acreage throughout 2020. The 3D seismic was shot over a known hydrocarbon accumulation, and upon initial inspection is of a high quality and is the first dataset of its kind generated within the broader area.

Strike will now look to identify drilling targets for future programs. Strike has 100% equity ownership of the Walyering prospects within EP447 as well as the adjoining leases. Uplifts in prospectivity from the new 3D seismic may have a compounding effect on Strike's surrounding acreage.

Directors' Report

Southern Cooper Basin

Pilot testing at Jaws continued with production rising up to a daily average of approximately 40 mscf/d. The bottom hole pressure has been drawn to 209 psig, which has seen instantaneous gas rates of >100 mscf/d with water remaining stable at approximately 300 bbls/d. A major inflection point (or exponential increase) in the rate of gas production is yet to be achieved, however Strike continues to believe this will occur once a sufficient amount of coal is brought into the critical desorption window. An increase in annulus pressure at the vertical intercept well during Q4/19 is evidence of improving downhole conditions. Whilst taking longer than anticipated, the controlled drawdown is progressing well with uptime of the pumping operations remaining high. Strike will continue the production pilot into the first half of 2020 until either commercial gas rates are achieved or water production declines without a commensurate increase in the gas flow rate.

Corporate

The Group successfully raised $31.4 million (pre-transaction costs) over the first half of the financial year to fund the further appraisal drilling at West Erregulla, ongoing Jaws operations and working capital.

During the period, Orica Australia Pty Ltd exercised its right to convert a $2.5 million loan into Strike fully paid ordinary shares.

Significant changes in the state of affairs

Except as disclosed in the review of results and operations, and subsequent events (refer to note 22), 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 2019 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, 14 February 2020

Deloitte.

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11 Waymouth Street
Adelaide, SA, 5000
Australia

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14 February 2020

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 2019, 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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Strike Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated 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 19.

Director´s 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 2019 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 2019 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, 14 February 2020

Directors' Declaration

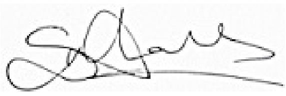
The Directors declare that:

(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

14 February 2020

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the half-year period ended 31 December 2019

$'000	***Note***	**31 Dec 2019**	**31 Dec 2018**
Other income	**6(a)**	1,013	581
Total revenue		**1,013**	**581**
Operating and administration expenses	**6(b)**	(4,105)	(1,196)
Loss from operating activities		**(3,092)**	**(615)**
Financial income	**7**	43	36
Financial expense	**7**	(73)	(247)
Net financial expense		**(30)**	**(211)**
Loss before income tax		**(3,122)**	**(826)**
Income tax benefit	**8**	-	-
Profit (loss) for the period		**(3,122)**	**(826)**
Total comprehensive income attributable to owners of the Company		**(3,122)**	**(826)**
Earnings per share			
From continuing and discontinued operations			
- Basic (cents per share)	**19**	(0.21)	(0.07)
- Diluted (cents per share)	**19**	(0.21)	(0.07)

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 statement.

Condensed Consolidated Statement of Financial Position

As at 31 December 2019

$'000	Note	31 Dec 2019	30 June 2019
Cash and cash equivalents	9	27,243	11,351
Trade and other receivables	10	874	1,587
Inventory		18	18
Other assets	11	497	224
Total current assets		**28,632**	**13,180**
Exploration and evaluation assets	12	124,101	113,987
Property, plant and equipment		313	181
Total non-current assets		**124,414**	**114,168**
Total assets		**153,046**	**127,348**
Trade and other payables	13	(1,980)	(4,888)
Employee benefits		(279)	(230)
Provisions	14	(464)	(462)
Total current liabilities		**(2,723)**	**(5,580)**
Employee benefits		(118)	(71)
Provisions	14	(2,445)	(2,166)
Borrowings	15	-	(2,458)
Other liabilities	16	(17,277)	(17,277)
Total non-current liabilities		**(19,840)**	**(21,972)**
Total liabilities		**(22,563)**	**(27,552)**
Net assets		**130,483**	**99,796**
Equity			
Issued capital	17	211,992	179,419
Reserves	18	3,555	2,319
Accumulated losses		(85,064)	(81,942)
Total equity		**130,483**	**99,796**

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 2019

$'000	Issued Capital	Total Reserves	Accumulated Losses	Total Equity
Balance at 1 Jul 2018	**140,897**	**1,503**	**(79,274)**	**63,126**
Profit(loss) 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**
Balance at 1 Jul 2019	**179,419**	**2,319**	**(81,942)**	**99,796**
Profit(loss) for the period	-	-	(3,122)	(3,122)
Total comprehensive income for the period	**-**	**-**	**(3,122)**	**(3,122)**
Issue of ordinary shares during the period	34,001	-	-	34,001
Recognition of share-based payments	-	1,236	-	1,236
Share issue costs	(1,428)	-	-	(1,428)
Balance at 31 Dec 2019	**211,992**	**3,555**	**(85,064)**	**130,483**

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 2019

$'000	31 Dec 2019	31 Dec 2018
Cash flows from operating activities		
R&D refund	-	-
Interest received	32	23
Interest paid	(31)	(250)
Net receipts from joint venture recoveries	1,007	1,233
Payments to suppliers and employees	(2,527)	(1,996)
Net cash (used in)/provided by operating activities	**(1,519)**	**(990)**
Cash flows from investing activities		
Payments for exploration, evaluation expenditure assets	(12,525)	(6,107)
Payments made for acquisition costs	-	(315)
Payments for property, plant and equipment	(55)	(51)
Net cash used in investing activities	**(12,580)**	**(6,473)**
Cash flows from financing activities		
Proceeds from issue of equity instruments	31,452	17,111
Payment of share issue costs	(1,427)	(1,091)
Term deposit maturity	(37)	7
Net cash provided by/ (used in) financing activities	**29,988**	**16,027**
Net increase/(decrease) in cash and cash equivalents	**15,889**	**8,564**
Cash and cash equivalents at the beginning of the period	**11,351**	**2,973**
Effects of exchange rate changes on the balance of cash held in foreign currencies	3	(19)
Cash and cash equivalents at the end of the period	**27,243**	**11,518**

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

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 2019 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 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 2019.

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 2019 the Group incurred a net loss before income tax of $3,122,000 (2018: net loss before income tax $826,000), had a net cash outflow from operating activities of $1,519,000 (2018: $990,000), and a net cash outflow from investing activities of $12,580,000 (2018: $6,473,000). As at 31 December 2019, the Group had a net current asset surplus position of $25,909,000 (2019: $7,600,000) and cash reserves of $27,243,000(2019: $11,351,000).

Should the Group's appeal against Innovation Science Australia's ("ISA") finding in relation to the FY16 R&D claim of $6,333,638 be unsuccessful, a payment plan arrangement has been agreed such that repayment will commence within 120 days of the determination. A determination that the FY16 R&D claim is non-compliant could potentially trigger a review of Strike's other tax Incentive claims, with the potential risk of an adverse finding in relation to those claims. This includes the FY17 R&D claim of $3,697,000. Given the expected time to be taken to satisfactorily resolve this matter and the payment plan mentioned above, no amounts have been included in the cash flow forecast for the twelve-month period from date of signing these financial statements.

Based upon the Board approved cash flow forecast the Directors' believe that the current cash resources available to the group will be sufficient to meet the planned operating costs and exploration expenditure for the 12 months from the date of signing this report.

Based upon the above, at the date of signing this report, the Directors have reasonable grounds to believe that it is appropriate to prepare the financial report on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2019

2.3 Basis of measurement

The condensed consolidated financial statements have been prepared under the historical cost convention.

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 2019.

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 16 'Leases'
- IFRIC 23 'Uncertainty over Income Tax Treatment'

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 17 'Insurance Contracts"	1 January 2021	30 June 2021

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 2019, the Group continued to apply the risk management objectives and policies as disclosed in the annual financial report for the year ended 30 June 2019.

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

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2019

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 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 2019.

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 Key Management Personnel ("KMP") in order to allocate resources to the segment and to assess its performance.

The Group's KMP are the Board of Directors of the Company, the Managing Director and the Chief Financial Officer. Information reported to the Group's KMP 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, the Group has one reportable segment being Australia.

6. Revenue and expenses

For the half-year period ended **$'000**	**31 Dec 2019**	**31 Dec 2018**
(a) Other income		
Cost recoveries	1,007	580
Other	6	1
	1,013	**581**
(b) Operating and administration expenses		
Depreciation – property, plant and equipment	(46)	(22)
Employee benefits expense	(1,384)	(452)
Share-based payments expense	(1,284)	-
Corporate expenses	(647)	(454)
Legal fees	(142)	(116)
Consulting fees	(265)	(19)
Office costs	(14)	(125)
Other	(323)	(8)
	(4,105)	**(1,196)**

7. Net financial expense

For the half-year period ended **$'000**	**31 Dec 2019**	**31 Dec 2018**
Interest income on cash and cash equivalents	43	36
Financial income	**43**	**36**
Interest expense on financial liabilities	(73)	(241)
Net foreign currency exchange loss	-	(6)
Financial expense	**(73)**	**(247)**

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2019

8. Income tax

For the half-year period ended $'000	31 Dec 2019	31 Dec 2018
Reconciliation of effective tax rate		
Profit/(Loss) from continuing operations	**(3,122)**	**(826)**
Income tax benefit/(expense) calculated at 27.5% (2018: 30%)	859	248
Effect of income and expenditure that is either not assessable or deductible in determining taxable profit	(354)	(4)
Effect of tax concessions (research and development and other allowances)	-	-
Effect of deferred tax arising from equity	396	140
Effect of deferred tax expense not brought to account	(901)	(384)
Income tax benefit/(expense)	-	-

9. Cash and cash equivalents

As at $'000	31 Dec 2019	30 June 2019
Cash and cash equivalents	27,243	11,351
	27,243	**11,351**

10. Trade and other receivables

As at $'000	31 Dec 2019	30 June 2019
Current		
GST receivable	397	206
Other receivables	477	1,381
	874	**1,587**

11. Other assets

As at $'000	31 Dec 2019	30 June 2019
Current		
Prepayments	275	50
Security deposits	202	164
Advances	20	10
	497	**224**

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2019

12. Exploration and evaluation assets

For the half-year period ended $'000	Total
Balance at 1 July 2019	**113,987**
Additions	9,824
Change in restoration provision	290
Balance at 31 December 2019	**124,101**

13. Trade and other payables

As at $'000	31 Dec 2019	30 June 2019
Current		
Trade payables	1,119	3,271
Accruals and other payables	861	1,617
	1,980	**4,888**

14. Provisions

As at $'000	31 Dec 2019	30 June 2019
Current		
Restoration Provision	464	462
Non-Current		
Restoration Provision	2,445	2,166
	2,909	**2,628**

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 2019	30 June 2019
Orica Facility (i)	-	2,458
Total non-current borrowings	**-**	**2,458**

(i) On 11 September 2019 Orica Australia Pty Ltd converted $2.5m debt into Strike Ordinary shares.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2019

16. Other liabilities

As at $'000	31 Dec 2019	30 June 2019
Unearned revenue – Gas prepayment agreements	17,277	17,277
Total non-current borrowings	**17,277**	**17,277**

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

17. Issued capital

	Number of shares (No'000)		Issued capital ($'000)	
For the period ended	**31 Dec 2019**	**30 June 2019**	**31 Dec 2019**	**30 June 2019**
Balance at beginning of period	1,544,087	1,094,640	179,419	140,897
Placements during the period, net of transaction costs	149,923	331,568	30,073	27,088
Orica debt conversion	12,112	-	2,500	-
UIL transaction, net of transaction costs	-	117,879	-	11,434
Balance at end of period	**1,706,122**	**1,544,087**	**211,992**	**179,419**

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 2019	30 June 2019
Share-based payments reserve	3,555	2,319
	3,555	**2,319**

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 14 November 2019, 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 2019

Change in instruments on issue

For the half-year period ended 31 December 2019	Number of instruments ('000)
Balance at beginning of period	
- Options	**46,190**
Options granted during the period	11,000
Options exercised/forfeited during the period	(19,099)
Balance at end of period	**38,091**
- Performance rights	**23,007**
Performance rights granted during the period	9,195
Performance rights exercised/forfeited during the period	(7,477)
Balance at end of period	**24,725**

Instruments outstanding

The balance of share options and performance rights on issue as at 31 December 2019 is as follows:

Instrument	Date granted	Date exercisable	Expiry date	Exercise price of instrument	Number of instruments	Fair value at grant date
Options	7 Apr 2017	7 Apr 2017	7 Apr 2020	$0.120	2,000,000	$0.012
Options	21 Aug 2017	21 Aug 2017	21 Aug 2020	$0.150	13,000,000	$0.016
Options	16 Nov 2017	16 Nov 2017	16 Nov 2020	$0.150	6,000,000	$0.011
Options	17 May 2018	17 May 2018	17 May 2021	$0.150	5,000,000	$0.017
Options	16 August 2019	16 August 2019	17 May 2021	$0.150	5,000,000	$0.06
Options	28 Nov 2018	28 Nov 2018	31 Dec 2020	$0.155	1,091,250	$0.007
Options	14 Nov 2019	14 Nov 2019	25 Sep 2022	$0.350	6,000,000	$0.10
Total Options					**38,091,250**	
Performance rights	17 May 2018	17 May 2018	Milestone based	Nil	2,500,000	$0.076
Performance rights	08 Dec 2017	30 Sep 2021	30 Sep 2021	Nil	3,517,605	$0.043
Performance rights	09 May 2019	30 Sep 2020	30 Sep 2020	Nil	9,511,956	$0.058
Performance rights	14 Nov 2019	30 June 2022	30 June 2022	Nil	9,195,204	$0.125
Total Performance Rights					**24,724,765**	

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 2019

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 2019	31 Dec 2018
Net profit attributed to ordinary shareholders (in $'000)	(3,122)	(826)
Profit used in calculating basic and diluted earnings per share (in $'000)	**(3,122)**	**(826)**
Number of shares (No '000)	1,706,122	1,335,003
Weighted average number of ordinary shares used in calculating basic earnings per share (No '000)	1,492,694	1,130,067
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)	38,901	46,757
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share (No '000)	**1,492,694**	**1,130,067**
Basic earnings per share (cents per share)	(0.21)	(0.07)
Diluted earnings per share (cents per share)	(0.21)	(0.07)

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.

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

Litigation and legal proceedings

Innovation and Science Australia (ISA) carried out an internal review of Strike's FY16 registration and FY18 R&D preregistration under the Industry Research and Development Act 1986 (Cth) and has denied the claim for FY16. The Company received $6,333,638 for the FY16 R&D tax incentive. Strike has appealed the decisions to the Administrative Appeals Tribunal (AAT). During the half-year management have submitted a Statement of Fact to the AAT and the matter is now with the ISA to respond. The case is expected to be heard by the AAT during the 2020 calendar year.

While Strike is confident its claims are compliant, the AAT process is expected to be protracted. However, it is not possible to estimate the financial outcome arising from the AAT process until the ISA's evidence is reviewed since at this point in time the basis for the denial of the FY2016 R&D claim is not known. To ensure the Company does not become obliged to repay to the Australian Taxation Office

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2019

(ATO) any of the FY16 R&D tax incentive pending the outcome of the appeal, the Company has reached an in-principle agreement with the ATO to defer any repayment on account of the FY16 R&D tax incentive until after determination of the AAT appeal and when it is known whether or not Strike in fact has a liability to repay any of that incentive. As security for any potential tax liability the Company may have, the Company will grant the ATO a general security over the assets of the Company. This agreement will give the Company sufficient time and opportunity to reverse the decision before having to realise any repayment. The agreement with the ATO is subject to execution of definitive documentation.

A determination that the FY16 R&D claim is non-compliant could potentially trigger a review of Strike's other tax Incentive claims, with the potential risk of an adverse finding in relation to those claims. This includes the following R&D claims:

- FY17: Claimed and received for $3,697,000;

- FY18: Pre-registration claim with ISA until the AAT matter is resolved and no refund received for $6,680,730

- FY19: Pre-registration claim to be submitted by 30 April 2020 and therefore amount not quantified at year-end.

A successful AAT outcome will allow Strike to process its $6,680,730 FY18 claim and FY2019 claim with the ATO.

22. Subsequent events

There have been no events subsequent to 31 December 2019 that would require adjustment to or disclosure in the condensed consolidated financial statements.

CORPORATE DIRECTORY

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

Company Secretary
Justin Ferravant

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Stock Exchange Listing
Australian Securities Exchange – Code STX