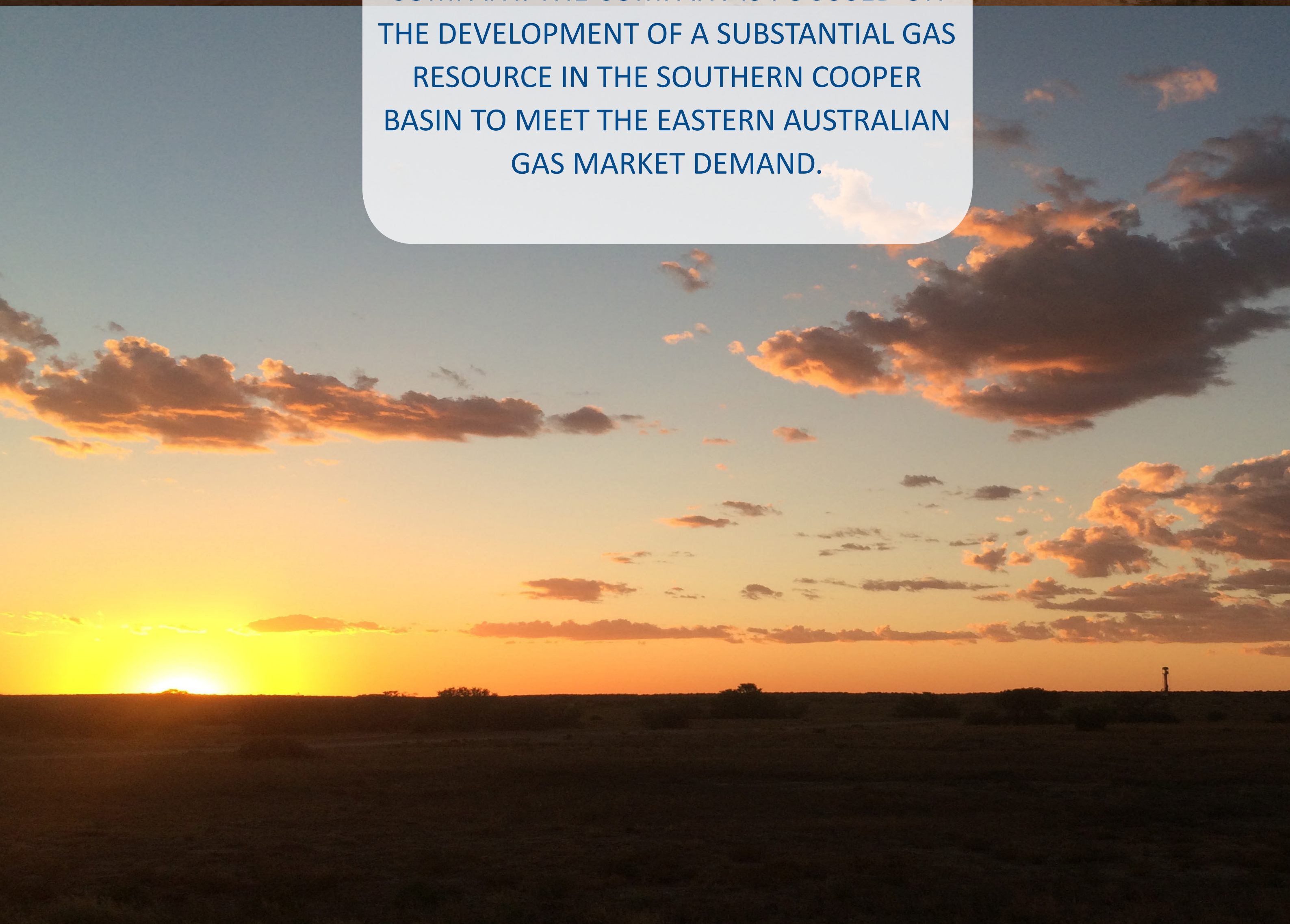
STRIKE ENERGY LIMITED

ACN 078 012 745

FINANCIAL REPORT

for the half-year ended 31 December 2015

STRIKE ENERGY LIMITED (ASX:STX) IS AN AUSTRALIAN BASED, INDEPENDENT OIL AND GAS EXPLORATION AND PRODUCTION COMPANY. THE COMPANY IS FOCUSED ON THE DEVELOPMENT OF A SUBSTANTIAL GAS RESOURCE IN THE SOUTHERN COOPER BASIN TO MEET THE EASTERN AUSTRALIAN GAS MARKET DEMAND.



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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 2015.

The names and details of the Company's Directors 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 were in office for this entire period:

- Mr Mark Carnegie — Chairman
- Mr David Wrench — Managing Director
- Ms Jody Rowe — Non-executive Director
- Mr Simon Ashton — Non-executive Director
- Mr Brendan Ostwald — Non-executive Director
- Mr David Baker — Executive Director

Review of operations

During the half-year period, the Group focused on the advancement and further evaluation of its Southern Cooper Basin assets in South Australia, while continuing its strategy to maximise the value of its portfolio of assets in the United States.

Exploration and development

Strike is one of the largest exploration lease holders in the South Australian Cooper Basin with over 2.2 million acres across five permits.

During the half-year period, the Group commenced the Phase 3 flow testing program within PEL 96 (STX 66.67%, EWC 33.33%) to accelerate reservoir pressure reduction to increase the volume of gas desorbing from the coal within the Patchawarra Vu Upper coal horizon centered on the Klebb pilot.

The Klebb workover and stimulation program was completed in July 2015 with a beam pump being commissioned at the Klebb 1 well in August. Following fracture stimulation, Klebb 2 and 3 were recommissioned in July and performance of both wells has been particularly pleasing throughout the period, with immediate gas flows being observed post stimulation.

During August 2015, an apparent gas-lock and subsequent mechanical failure of the downhole pump assembly at Klebb 1 resulted in the shut-in of this well. Flow testing of Klebb 2 and 3 continued during this time with increases in pumping rates managed in a controlled manner to achieve stable flow.

A workover of Klebb 1 to replace the downhole pump, to enable better management of gas surges was completed in early November, allowing the well to be returned to operation.

Following the resumption of operations at Klebb 1, good progress was made at the Klebb pilot with record gas flow rates being recorded by the end of the period. This improved performance was a direct result of the combined high facility availability resulting from improved operating and maintenance procedures and the relocation of the Le Chiffre surface pump to the Klebb pilot location.

Data gathered during the shut-in of Klebb 1 during October confirmed that the average reservoir pressure continues to be reduced and that the pilot as a whole is accessing a larger than expected volume. As a result of the reservoir pressure reduction to date and improved performance of Klebb 2 and Klebb 3, very encouraging and significant improvements in gas flows have been recorded when water production is maintained above a rate of between 400 – 450 bwpd at each of Klebb 2 and 3.

The sharp increases in gas rate achieved when water rates are maintained above this threshold rate result from more coal reaching the critical desorption pressure. This threshold rate is equivalent to the formation inflow rate for current reservoir conditions. Water production above the formation inflow rate expands the low pressure zone around the well while production at or below the inflow rate results in a static or shrinking low pressure zone with gas production tending to stabilise.

Directors' Report

Testing results show that flow rates as low as 15 - 20 bwpd above the threshold inflow rate are sufficient to generate sharp increases in gas rate – implying that the additional gas quantities are still being sourced from very small volumes of coal moving below the desorption pressure.

The small reservoir volumes from which gas is currently being desorbed provides tangible evidence that ongoing testing will yield commercial gas rates as we increase the portion of the Klebb reservoir volume that is producing gas. While the existing Klebb pilot pump infrastructure is able to establish water flow rates above the threshold rate, water production starts declining as gas rates increase due to reduced pump efficiency caused by "cavitation" effects in the downhole jet pump configuration. As a result, after creating and initiating an incremental expansion of the low pressure zone, increased gas production impacts pump efficiency and the low pressure zone, and gas rates stabilise.

Ongoing improvements in pump configuration and operating procedures are proving effective in maintaining water producing rates for longer periods as gas rates increase.

Klebb 4

Following the end of the half year period, the Klebb 4 well was drilled to a total depth of 2,188m and cased with 5-1/2" casing. Klebb 4 is a pre-development well to facilitate increased water and gas production capacity.

The drilling program was completed without any material safety or environmental incidents and within budget.

The objective of the Klebb 4 well is to validate drilling and completion field development plans by:

- Successfully drilling a deviated well.
- Establishment of a lower well cost structure by trialing the use of real time logging equipment in a directional well to eliminate conventional logs.
- Performing a large fracture stimulation of the Vu Upper zone.
- Installing a larger downhole completion than previously utilised.

The bottom hole location of Klebb 4 is approximately 300m SE of the midpoint between the Klebb 1 and Klebb 3 wells. The directional program has validated the multi-well pad design on which the field development concept is based.

Importantly, Klebb 4 is the lowest cost well which Strike has drilled to date, with cost reductions realised through improved well design, drilling performance and lower drilling and service costs.

A large fracture stimulation is planned for Klebb 4, following which the well will be tied into existing infrastructure. Once tie-in is complete, Klebb 4 will contribute to the ongoing testing activities at Klebb by accelerating the growth of the existing low pressure zone at Klebb and provide increased well redundancy across the pilot.

The cost of the completion work is forecast to be well below previous programs and will lead to a material reduction in full field drilling and completion cost estimates.

Planned activities

Results from the PEL96 flow testing program have been very promising, reinforcing confidence in the commercial potential of the resource. In the next stage of testing, the focus is on continuing to accelerate reservoir pressure reduction and maintaining water rates, thereby increasing gas flows to test and establish that the full productive potential of the wells is significantly above threshold commercial rates.

Directors' Report

Commercial and Financial Initiatives

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.

As announced on 21 September 2015, the Group received a $8.5 million refund in respect of its eligible R&D activities undertaken during the financial year ended 30 June 2015. Upon receipt of these funds, the Group repaid in full the $5.9 million outstanding under the FY 15 Macquarie Facility. Following the repayment of the FY 15 Macquarie Facility, the Group executed an amending document which extended the Macquarie R&D facility through to 30 November 2016, with a new facility limit of up to $4.0 million being available to be drawn upon based upon the Group's anticipated eligible R&D expenditure for the 2016 financial year (the FY 16 Macquarie Facility). For the half-year period ended 31 December 2015, the Group has made drawdowns totalling $1.85 million under the FY 16 Macquarie Facility.

Planning continued for a demonstration scale, modular gas processing facility (Demonstration Facility) to process, compress and deliver sales gas produced from the multi-well testing program within PEL 96 into the Moomba to Adelaide pipeline. A scoping and preliminary design phase for the Demonstration Facility was successfully completed, confirming that construction and operation of an independent, low cost gas processing facility in PEL 96 is technically and commercially feasible. Based on the results of the design phase, two leading engineering contractors have now been invited to independently develop their engineering design and cost proposals for the Demonstration Facility. It is expected that this work will be completed in the second half of the 2016 financial year, which will lead to the award of an EPC contract to the preferred engineering contractor. The objective of this Demonstration Facility is to validate the technical and commercial feasibility of a new standalone in-field gas processing and compression system. The Demonstration Facility is being designed so that it can be rapidly and cost effectively scaled up to support future production growth from the Southern Cooper Basin Gas Project.

In parallel with these engineering and design activities, the Group has agreed a Memorandum of Understanding (MOU) to collaborate on the development, funding and operation of the Demonstration Facility with a leading midstream gas infrastructure owner and operator. This innovative and collaborative approach will allow the Group to focus its' capital and expertise on the acceleration of production and growth of reserves, while allowing the partner to use their substantial asset management, operational and financial capabilities to develop a new midstream gas infrastructure asset. Once executed, the MOU will provide the parties with a framework to negotiate the underlying operational, commercial and funding arrangements to support this initiative. The Company has also progressed discussions for the sale of processed gas on an interruptible basis from the Demonstration Facility.

The Group expects to formally announce the finalisation of both of these commercial initiatives over the coming weeks.

The MOU initiative, the level of interest from major domestic South Australian and east coast gas consumers to buy gas from the Demonstration Facility and to secure longer term gas supplies from an independent producer, such as Strike, reinforce the commercial potential of the SCBGP in the domestic gas market – a market that has been permanently changed by the commencement of LNG exports from Gladstone.

The Group completed the half-year period with $6.4 million cash on hand and is well placed to continue its field operations and next stage design activities for the Demonstration Facility.

Directors' Report

US Operations

The Group has working interests in the following assets located in the United States:

- a 27.5% interest in the Eagle Landing Joint Venture which is focused on the Eagle Ford Shale gas-condensate fairway within northern Lavaca and southern Fayette counties, Texas. During the half-year period, the Bigham #1H well produced at an average rate of 7 Bbl of oil and 5 Mcf of gas per day, net to the Group.
- a 25% interest in the MB Clearfork Project which produces oil from 20 conventional Permian Basin wells in Martin County, Texas. During the half-year period, the MB Clearfork Project produced at an average rate of 17 Bbl of oil and 34 Mcf of gas per day, net to the Group.
- a 40% interest in the Eaglewood Joint Venture which produces from the Louise gas-condensate field in Wharton County, Texas. During the half-year period, the Louise Field Project produced at an average rate 13 Bbl of oil and 707 Mcf of gas per day, net to the Group.

As at the end of the half-year period, a non-cash impairment charge of $33k (2014: $13.3 million) has been recognised predominately against the carrying value of the Group's Eagle Landing Joint Venture assets, reflecting prevailing market conditions and current forward pricing.

Other Australian assets

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

Directors' Report

Financial review

For the half-year period ended $'000	31 Dec 2015	31 Dec 2014
Revenue from oil and gas sales	878	1,594
Cost of sales	(535)	(928)
Gross profit	**343**	**666**
Amortisation and depreciation	(263)	(928)
Exploration, evaluation and production assets impairment	(33)	(13,682)
Net other income/(expenses)	6,373	3,461
Profit/(Loss) from operating activities	**6,420**	**(10,483)**
Net financial income/(expenses)	(572)	4,362
Profit/(Loss) before income tax	**5,848**	**(6,121)**

During the half-year period, the Group realised revenue of approximately $0.9 million (2014: $1.6 million) which was generated from its United States oil and gas production assets. Consistent with trends in the US domestic energy pricing, the Group experienced a fall in the average realised price for gas (US$1.75/Mcf) and oil-condensate (US$41.66/Bbl) by 41% and 49% respectively when compared to the 2014 half-year period.

A decline in production volumes from the Group's portfolio of production assets resulted in the Group's average daily net production for the 2015 half-year period fall to 746 Mcf of gas per day (14% decrease) and 37 Bbl of oil per day (22% decrease).

The Group realised a profit from operating activities of $5.8 million for the 2015 half-year period compared to a loss of $6.1 million for the 2014 half-year period. The increase to a profit for the period resulted from the receipt of the ATO R&D refund (2015: $8.5 million; 2014: $5.8 million), the recognition of lower non-cash impairment charges on the Group's portfolio of exploration, evaluation and production assets (2015: $33k; 2014: $13.7 million) and reduced non-cash amortisation and depreciation charges (2015: $263k; 2014: $928k) offset by lower net foreign exchange gains (2015: $3k; 2014: $4.6 million). For further details on the decrease in the net foreign exchange gain recognised in the period, please refer to Note 16 under the heading "Foreign currency translation reserve".

Earnings/(Loss) per share

For the half-year period ended	31 Dec 2015	31 Dec 2014
Basic earnings/(loss) per share (cents per share)	0.70	(0.73)
Diluted earnings/(loss) per share (cents per share)	0.70	(0.73)

Cash flows

For the half-year period ended $'000	31 Dec 2015	31 Dec 2014
Operating cash flows	6,255	4,351
Investing cash flows	(6,943)	(6,098)
Financing cash flows	(4,734)	(829)

Operating cash flows

The net operating cash inflow for the period of $6.3 million (2014: inflow of $4.4 million) has directly benefited from the receipt of funds under the 2015 ATO R&D refund of $8.5 million (2014: $5.8 million). Adjusting for the effect of the ATO R&D refunds, the net operating cash outflow has increased from a net outflow of $1.4 million (2014) to a net outflow of $2.2 million (2015) principally as a result of lower cash receipts from the Group's oil and gas production sales, partially offset by a reduction in payments to the respective operators of these assets and corporate overheads.

Directors' Report

Investing cash flows

The net cash used in investing activities for the period of $6.9 million has increased by $0.8 million from $6.1 million (2014). During the period, the payments made for exploration, evaluation and oil and gas production assets were targeted at the evaluation program focused on the rapid commercialisation of the Group's Southern Cooper Basin Gas Project within Australia, which are detailed further in the Review of operations.

Financing cash flows

The net financing activities for the period resulted in a net cash outflow of $4.7 million (2014: $0.8 million net cash outflow) and principally reflects the net principal drawdowns and repayments under the Group's borrowing facilities of $4.2 million (2014: $0.6 million), the payment of borrowing facility costs and interest under the Group's borrowing facilities of $0.6 million (2014: $0.3 million), which is offset by interest generated on cash on deposit within Australia of $0.1 million (2014: $0.1 million).

Risk management

The Group takes a proactive approach to risk management. The Directors are responsible for ensuring that risks and opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with these risks and opportunities.

Dividends

There were no dividends declared or paid during the half-year period ended 31 December 2015 (half-year period ended 31 December 2014: nil). There were no dividends declared or paid since 31 December 2015.

Significant changes in the state of affairs

Except as disclosed in the review of results and operations, and subsequent events (refer to note 19), there have been no significant changes in the state of affairs of the Group during the current reporting period.

Environmental regulation and performance

The Group is bound by the requirements and guidelines of the relevant environmental protection authorities for the management and rehabilitation of oil and gas exploration and development areas either owned or previously owned by the Group. There have been no known breaches of these obligations or conditions during the period.

Competent person's statement

Information in this report that relates to oil and gas reserve estimates is based on information compiled by Mr Christopher Thompson who holds a B.Sc in Geology, a Graduate Dip in Reservoir Evaluation and Engineering and is a member of the Society of Petroleum Engineers. Mr Thompson is an employee of the Group and has worked in the petroleum industry as a practicing reservoir engineer for over 20 years. Mr Thompson has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Auditor's independence declaration

We have obtained an independence declaration from our auditors, Deloitte Touche Tohmatsu, which follows the Directors' Report.

Rounding off of amounts

The Group is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities and Investments Commission, in relation to the "rounding off" of amounts. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with the Class Order to the nearest thousand dollars, unless otherwise stated.

Subsequent events

During early January 2016, the Klebb 4 well was drilled to a total depth of 2,188m and cased with 5-1/2" casing. The well which was directionally drilled, was cased with larger 5.5" casing to facilitate increased water and gas production capacity.

On 19 January 2016, as a result of the Group finalising and exiting its office leasing arrangements in West Perth, the Group was able to reduce the cash security deposits used to collateralise its existing bank guarantees. As a result, $287k of cash was released from these deposits and became available for general operating and corporate purposes.

Directors' Report

With the exception of the above, there have been no other events subsequent to 31 December 2015 that would require adjustment to or disclosure in the interim unaudited 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

David Wrench, Managing Director

Sydney, New South Wales, 26 February 2016

Deloitte Touche Tohmatsu
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Board of Directors
Strike Energy Limited
120B Underwood Street
Paddington
Sydney NSW 2021

26 February 2016

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 2015, 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

Jason Thorne
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 2015, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 25.

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 2015 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 2015 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

Jason Thorne
Partner
Chartered Accountants
Sydney, 26 February 2016

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

David Wrench

Managing Director

Sydney, New South Wales

26 February 2016

Interim Unaudited Condensed Consolidated Statement of Comprehensive Income

For the half-year period ended

$'000	*Note*	31 Dec 2015	31 Dec 2014
Revenue from oil and gas sales	7(a)	878	1,594
Cost of sales	7(b)	(535)	(928)
Gross profit		**343**	**666**
Other income	7(c)	9,437	6,569
Corporate expenses		(204)	(246)
Amortisation and depreciation	7(d)	(263)	(928)
Employee benefit expenses		(1,728)	(1,415)
Exploration, evaluation and production assets impairment		(33)	(13,682)
Other expenses	7(e)	(1,132)	(1,447)
Profit/(Loss) from operating activities		**6,420**	**(10,483)**
Financial income	8	75	4,719
Financial expense	8	(647)	(357)
Net financial income/(expense)		**(572)**	**4,362**
Profit/(Loss) before income tax		**5,848**	**(6,121)**
Income tax benefit/(expense)	9	-	-
Profit/(Loss) for the period		**5,848**	**(6,121)**
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		(101)	(3,711)
Other comprehensive income/(loss) for the period, net of income tax		**(101)**	**(3,711)**
Total comprehensive income/(loss) for the period		**5,747**	**(9,832)**
Total comprehensive income/(loss) attributable to owners of the Company		**5,747**	**(9,832)**
Earnings/(Loss) per share			
- Basic (cents per share)	16	0.70	(0.73)
- Diluted (cents per share)	16	0.70	(0.73)

The interim unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the notes to the interim unaudited condensed consolidated financial statements.

Interim Unaudited Condensed Consolidated Statement of Financial Position

As at

$'000	*Note*	31 Dec 2015	30 June 2015
Cash and cash equivalents	**10**	6,361	11,694
Trade and other receivables		366	421
Other financial assets	**11**	449	76
Total current assets		**7,176**	**12,191**
Other financial assets	**11**	33	320
Exploration and evaluation assets	**12**	49,914	43,693
Oil and gas production assets	**13**	1,022	1,233
Property, plant and equipment		143	82
Total non-current assets		**51,112**	**45,328**
Total assets		**58,288**	**57,519**
Trade and other payables		(1,469)	(2,875)
Employee benefits		(99)	(82)
Provisions		-	(54)
Borrowings	**14**	(2,027)	(6,783)
Total current liabilities		**(3,595)**	**(9,794)**
Employee benefits		(68)	(33)
Derivatives		(36)	(19)
Provisions		(310)	(273)
Borrowings	**14**	(5,753)	(4,995)
Other		(12,100)	(12,100)
Total non-current liabilities		**(18,267)**	**(17,420)**
Total liabilities		**(21,862)**	**(27,214)**
Net assets		**36,426**	**30,305**
Equity			
Issued capital	**15**	121,806	121,806
Reserves	**16**	(5,864)	(6,137)
Accumulated losses		(79,516)	(85,364)
Total equity		**36,426**	**30,305**

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

Interim Unaudited Condensed Consolidated Statement of Changes in Equity

For the half-year period ended

$'000	Issued Capital	Share-based payments reserve	Foreign currency translation reserve	Total Reserves	Accumulated Losses	Total Equity
Balance at 1 Jul 2014	**121,806**	**4,213**	**(5,486)**	**(1,273)**	**(75,639)**	**44,894**
Exchange differences arising on translation of foreign operations	-	-	(3,711)	(3,711)	-	(3,711)
Profit/(Loss) for the period	-	-	-	-	(6,121)	(6,121)
Total comprehensive income/(loss) for the period	**-**	**-**	**(3,711)**	**(3,711)**	**(6,121)**	**(9,832)**
Recognition of share-based payments	-	147	-	147	-	147
Balance at 31 Dec 2014	**121,806**	**4,360**	**(9,197)**	**(4,837)**	**(81,760)**	**35,209**
Balance at 1 Jul 2015	**121,806**	**4,726**	**(10,863)**	**(6,137)**	**(85,364)**	**30,305**
Exchange differences arising on translation of foreign operations	-	-	(101)	(101)	-	(101)
Profit/(Loss) for the period	-	-	-	-	5,848	5,848
Total comprehensive income/(loss) for the period	**-**	**-**	**(101)**	**(101)**	**5,848**	**5,747**
Recognition of share-based payments	-	374	-	374	-	374
Balance at 31 Dec 2015	**121,806**	**5,100**	**(10,964)**	**(5,864)**	**(79,516)**	**36,426**

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

Interim Unaudited Condensed Consolidated Statement of Cash Flows

For the half-year period ended

$'000	31 Dec 2015	31 Dec 2014
Cash flows from operating activities		
Receipts from customers	973	2,355
R&D refund	8,454	5,750
Net receipts from joint venture recoveries	287	249
Payments to suppliers and employees	(3,459)	(4,003)
Net cash provided by/(used in) operating activities	**6,255**	**4,351**
Cash flows from investing activities		
Payments for exploration, evaluation expenditure and oil and gas production assets	(6,932)	(11,126)
Proceeds from sale of assets held for sale (Eagle Ford acreage)	-	5,032
Payments for property, plant and equipment	(11)	(4)
Net cash provided by/(used in) investing activities	**(6,943)**	**(6,098)**
Cash flows from financing activities		
Proceeds from issue of equity instruments of the Company	-	-
Payment of borrowing costs	(63)	-
Proceeds from borrowings	1,850	-
Repayment of borrowings	(6,079)	(616)
Interest received	73	128
Interest paid	(515)	(341)
Net cash provided by/(used in) financing activities	**(4,734)**	**(829)**
Net increase/(decrease) in cash and cash equivalents	**(5,422)**	**(2,576)**
Cash and cash equivalents at the beginning of the period	**11,694**	**10,624**
Effects of exchange rate changes on the balance of cash held in foreign currencies	89	93
Cash and cash equivalents at the end of the period	**6,361**	**8,141**

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

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2015

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 interim unaudited condensed consolidated financial statements of the Company as at and for the six month or half-year period ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates, joint ventures, joint operations, and jointly controlled entities.

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 120B Underwood Street, Paddington, NSW, 2021, Australia.

2. Basis of preparation

2.1 Statement of compliance

The interim unaudited condensed consolidated financial statements have been prepared in accordance with the Corporations Act and *AASB 134 Interim Financial Reporting*. The interim unaudited 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 interim unaudited condensed consolidated financial statements are less extensive than the disclosure requirements for annual financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the annual financial report of the Group for the year ended 30 June 2015.

The interim unaudited condensed consolidated financial statements comprise the condensed statements of comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited condensed consolidated financial statements.

2.2 Going concern

The interim unaudited condensed consolidated financial statements have been prepared using the going concern assumption.

2.3 Basis of measurement

The interim unaudited 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 interim unaudited condensed consolidated financial statements are presented in Australian Dollars ("AUD"), which is the Group's presentation currency.

2.5 Rounding of amounts

The Group is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities and Investments Commission, in relation to the "rounding off" of amounts. Amounts in the interim unaudited condensed consolidated financial statements have been rounded off in accordance with the Class Order to the nearest thousand dollars, unless otherwise stated.

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.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2015

2.7 Accounting policies and recently issued accounting pronouncements

The accounting policies applied by the Group in these interim unaudited condensed consolidated financial statements are the same as those applied by the Group in the annual financial statements for the year ended 30 June 2015.

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 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015-4 Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent (AASB 127 & AASB 128)

The initial adoption of each of the above standards, interpretations and revisions has not had a material impact on the amounts reported in these interim unaudited 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 interim unaudited 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 (December 2010)', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures', AASB 2015-1 'Amendments to Australian Accounting Standards'	1 January 2018 (Applies on a modified retrospective basis)	30 June 2019
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle ('Annual Improvement to IFRSs 2012-2014 Cycle')	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2016	30 June 2017
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	30 June 2019
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 Presentation of Financial Statements	1 January 2016	30 June 2017

The Directors anticipate, with the exception of AASB 15 (which is still to be fully assessed), 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. The Group continues to progress its assessment of the impact of AASB 15.

3. Seasonality

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

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2015

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 2015, the Group continued to apply the risk management objectives and policies as disclosed in the annual financial report for the year ended 30 June 2015.

5. Use of estimates and judgements

The preparation of these interim unaudited condensed consolidated financial statements requires the Directors to make judgments, 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 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 2015.

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 both Australia and the United States.

Consistent with the Group's strategy to focus its activities and operations within Australia, management has, effective from 1 July 2015, revised the form and content of the information and results presented to the CODM. This alignment has resulted in the results of the Group being reported on a geographical basis for the Group's respective business operations. The Group now has two reportable segments – Australia and the United States. Previously, the Group had four reportable segments, managed by both business activity and geographical location. The accounting policies of each of the reportable segments are the same as the Group's accounting policies. The segment results represent the profit or loss generated by each segment without allocation of corporate expenses, depreciation, employment benefits expense, finance costs and other income and expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

For the half-year period ended $'000	**Australia**		**USA**		**Group**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Continuing operations						
Revenue from oil and gas sales	-	-	878	1,594	878	1,594
Cost of sales	(17)	(145)	(518)	(783)	(535)	(928)
Gross profit/(loss)	**(17)**	**(145)**	**360**	**811**	**343**	**666**
Amortisation	-	-	(248)	(908)	(248)	(908)
Exploration, evaluation and production asset impairment	-	(374)	(33)	(13,308)	(33)	(13,682)
Segment result	**(17)**	**(519)**	**79**	**(13,405)**	**62**	**(13,924)**
Depreciation					(15)	(20)
Other income and expenses					6,373	3,461
Net financial income/(expenses)					(572)	4,362
Profit/(Loss) before income tax					**5,848**	**(6,121)**
Income tax benefit/(expense)					**-**	**-**
Group profit/(loss) for the period					**5,848**	**(6,121)**

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2015

Information about major customers

Included in revenue from oil and gas sales are revenues of approximately $657,162 (2014: $1,182,547) which arose from sales to the Group's largest customer.

7. Revenue and expenses

For the half-year period ended $'000	31 Dec 2015	31 Dec 2014
(a) Revenue from oil and gas sales		
Gas sales	468	756
Oil sales	410	838
	878	**1,594**
(b) Cost of sales		
Production costs	(293)	(462)
Royalties and taxes	(242)	(466)
	(535)	**(928)**
(c) Other income		
Cost recoveries	926	788
Royalty income	14	21
Eligible R&D refund	8,454	5,758
Other income	43	2
	9,437	**6,569**
(d) Amortisation and depreciation		
Amortisation – oil and gas production assets	(248)	(908)
Depreciation – property, plant and equipment	(15)	(20)
	(263)	**(928)**
(e) Other expenses		
Impairment loss on gas transmission rights	(469)	(760)
Legal fees	(187)	(260)
Consulting fees	(147)	(150)
Office costs	(126)	(107)
Other	(203)	(170)
	(1,132)	**(1,447)**

8. Net financial income/(expenses)

For the half-year period ended $'000	31 Dec 2015	31 Dec 2014
Interest income on cash and cash equivalents	72	121
Net foreign currency exchange gain	3	4,575
Net gain on derivative financial instruments	-	23
Financial income	**75**	**4,719**
Interest expense on financial liabilities	(515)	(341)
Financing transaction costs and fees	(116)	(16)
Net loss on derivative financial instruments	(16)	-
Financial expenses	**(647)**	**(357)**

Notes to the Interim Unaudited Condensed Consolidated Financial Statements
For the half-year period ended 31 December 2015

9. Income tax

For the half-year period ended $'000	31 Dec 2015	31 Dec 2014
Reconciliation of effective tax rate		
Profit/(Loss) from operations	**5,848**	**(6,121)**
Income tax (expense)/benefit calculated at 30%	(1,754)	1,836
Effect of income and expenditure that is either not assessable or deductible in determining taxable profit	(115)	(49)
Effect of tax concessions (research and development and other allowances)	2,536	1,725
Effect of different tax rate on US subsidiaries	65	522
Effect of tax losses not brought to account	(732)	(4,034)
	-	-

10. Cash and cash equivalents

As at $'000	31 Dec 2015	30 June 2015
Cash and cash equivalents	6,342	11,675
Short term deposits	19	19
	6,361	**11,694**

11. Other financial assets

As at $'000	31 Dec 2015	30 June 2015
Current		
Prepayments	162	76
Security deposits	287	-
	449	**76**
Non-current		
Security deposits	33	320
	33	**320**

12. Exploration and evaluation assets

For the half-year period ended $'000	Texas, USA	Cooper Basin, Australia	Other	Total
Balance at 1 July 2015	**-**	**43,667**	**26**	**43,693**
Additions	1	6,044	177	6,222
Transfer to oil and gas production assets	-	-	-	-
Other transfers	-	104	(104)	-
Impairment charge	(1)	-	-	(1)
Foreign exchange movement	-	-	-	-
Balance at 31 December 2015	**-**	**49,815**	**99**	**49,914**

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2015

13. Oil and gas production assets

The following table details the consolidated expenditures on the Group's oil and gas production assets located in Texas (USA) for the half-year ended 31 December 2015:

For the half-year period ended $'000	Texas, USA
Balance at 1 July 2015	**1,233**
Additions	5
Transfer from exploration and evaluation assets	-
Amortisation of oil and gas production assets	(248)
Impairment charge	(32)
Foreign exchange movement	64
Balance at 31 December 2015	**1,022**

During the half-year period, the Group recognised a non-cash impairment charge of $32k (2014: $1.2 million) in respect of the carrying value of certain of its US production assets, resulting from the current prevailing oil and gas market conditions in the United States. This charge has been recognised in the profit or loss component of the statement of comprehensive income.

14. Borrowings

As at $'000	31 Dec 2015	30 June 2015
BlueRock Facility (a)(i)	222	963
Macquarie Facility (b)(iii)	1,801	5,817
Finance lease liabilities	4	3
Total current borrowings	**2,027**	**6,783**
BlueRock Facility (a)	3,247	2,487
Orica Facility (ii)	2,500	2,500
Finance lease liabilities	6	8
Total non-current borrowings	**5,753**	**4,995**
(a) BlueRock Facility	3,488	3,487
Embedded derivative	(19)	(37)
Carrying amount	**3,469**	**3,450**
(b) Macquarie Facility	1,850	5,900
Debt issuance costs	(49)	(83)
Carrying amount	**1,801**	**5,817**

(i) On 22 May 2013, the Group entered into a production payment funding facility (the BlueRock Facility) with BlueRock Energy Capital, for the purpose of funding the drilling and completion costs for the Group's existing Eagle Ford Shale and Permian Basin wells in the United States. Repayments under the BlueRock facility are dependent upon revenue generated from certain of the Group's US production assets. On 1 November 2015, the Group entered into an amendment to the BlueRock facility, reducing the repayment obligations for the period from 1 November 2015 to 30 June 2016 from 80% of net revenue to 50% of net revenue, while for the period from 1 January 2016 to 30 June 2016, the interest rate on the loan will be reduced from 18% to 9.5%. In conjunction with this amendment, BlueRock has agreed to assist the Group in its continuing efforts to market and monetise its remaining portfolio of assets in the United States.

(ii) The terms and conditions of the Orica Facility are the same as those disclosed in the annual financial report for the year ended 30 June 2015.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements
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(iii) On 21 September 2015, the Group repaid in full the $5.9 million outstanding under the terms of the FY15 Macquarie Facility from the proceeds of its FY15 R&D refund. On 21 September 2015, the Group executed an amendment to the FY15 Macquarie Facility (the FY16 Macquarie Facility) to provide pre-funding for eligible R&D expenditure to be incurred during the year ended 30 June 2016. The FY16 Macquarie Facility has a limit of $4.0 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 FY16 Macquarie Facility is collateralised in full from the proceeds of the Company's 2016 R&D refund which is anticipated to be received by November 2016. An initial draw down of $750,000 under the terms of the FY16 Macquarie Facility was made on 29 September 2015, with a subsequent draw down of $1,100,000 made on 15 December 2015.

15. Issued capital

	Number of shares (No'000)		Issued capital ($'000)	
For the half-year period ended	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Balance at beginning of period	833,331	833,331	121,806	121,806
Placements during the period	-	-	-	-
Share issue costs during the period	-	-	-	-
Balance at end of period	**833,331**	**833,331**	**121,806**	**121,806**

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.

16. Reserves

As at **$'000**	**31 Dec 2015**	**30 June 2015**
Share-based payments reserve	5,100	4,726
Foreign currency translation reserve	(10,964)	(10,863)
	(5,864)	**(6,137)**

Employee share incentive plan - 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 30 October 2014, both share options and performance rights can be granted to eligible employees for no consideration. Typically, 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.

During the half-year period ended 31 December 2015, the Group issued 450,000 Performance Rights and Nil Options (half-year period ended 31 December 2014: 27,850,000 Performance Rights and Nil Options) under the Plan. The net expense recognised in the profit or loss component of the statement of comprehensive income in relation to share-based payments was $373,497 (2014: $147,493).

The following table lists the inputs used by external independent valuers to value instruments issued during the half-year period ended 31 December 2015:

	7 August 2015 (i)	**7 August 2015** (ii)	**7 August 2015** (iii)
Instrument	Performance Right	Performance Right	Performance Right
Number	150,000	150,000	150,000
Expiry date	30 October 2018	30 October 2018	30 October 2018
Dividend yield	Nil%	Nil%	Nil%
Expected volatility	55.0%	55.0%	55.0%
Risk-free interest rate	2.0%	2.0%	2.0%
Expected life of instruments (years)	1.1	1.8	2.1
Share price at grant date	$0.125	$0.125	$0.125

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2015

(i) Under the terms of the award, the performance rights will vest if the Company's closing share prices is greater than $0.20 on any five consecutive days during the vesting period (7 August 2015 to 30 October 2018) and the participant is an employee of the Company.

(ii) Under the terms of the award, the performance rights will vest if the Company's closing share prices is greater than $0.35 on any five consecutive days during the vesting period (7 August 2015 to 30 October 2018) and the participant is an employee of the Company.

(iii) Under the terms of the award, the performance rights will vest if the Company's closing share prices is greater than $0.50 on any five consecutive days during the vesting period (7 August 2015 to 30 October 2018) and the participant is an employee of the Company.

Instruments outstanding

The balance of share options and performance rights on issue as at 31 December 2015 is as follows:

Instrument	Date granted	Date exercisable	Expiry date	Exercise price of instrument	Number of instruments	Fair value at grant date
Options	18 November 2011	18 November 2011	18 November 2016	$0.20	4,000,000	$0.08
Options	18 November 2011	18 November 2013	18 November 2016	$0.20	3,000,000	$0.07
Options	18 November 2011	18 November 2013	18 November 2018	$0.20	3,000,000	$0.08
Options	1 November 2012	1 November 2014	1 November 2017	$0.20	500,000	$0.10
Options	1 November 2012	1 November 2014	1 November 2017	$0.20	500,000	$0.10
Options	10 April 2013	10 April 2014	10 April 2018	$0.18	100,000	$0.04
Options	10 April 2013	10 April 2015	10 April 2018	$0.18	100,000	$0.04
Performance rights	14 May 2014	Up to 14 May 2016	14 May 2016	-	566,667	$0.07
Performance rights	14 May 2014	Up to 14 May 2016	14 May 2016	-	566,667	$0.03
Performance rights	14 May 2014	Up to 14 May 2016	14 May 2016	-	566,666	$0.02
Performance rights	30 October 2014	Up to 30 October 2018	30 October 2018	-	8,933,335	$0.07
Performance rights	30 October 2014	Up to 30 October 2018	30 October 2018	-	8,933,334	$0.05
Performance rights	30 October 2014	Up to 30 October 2018	30 October 2018	-	8,933,331	$0.03
Performance rights	7 August 2015	Up to 30 October 2018	30 October 2018	-	150,000	$0.09
Performance rights	7 August 2015	Up to 30 October 2018	30 October 2018	-	150,000	$0.06
Performance rights	7 August 2015	Up to 30 October 2018	30 October 2018	-	150,000	$0.04
					40,150,000	

Change in instruments on issue

	31 Dec 2015	
For the half-year period ended	**Number of instruments ('000)**	**Weighted average exercise price ($)**
Balance at beginning of period	40,350	
Performance rights granted during the period	450	-
Options expired during the period	(500)	0.20
Performance rights cancelled/forfeited during the period	(150)	-
Exercised during the period	-	-
Balance at end of period		
- Options	**11,200**	**0.20**
- Performance rights	**28,950**	**-**
Options exercisable at end of period	**5,200**	0.20

Foreign currency translation reserve

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

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2015

Until 30 June 2015, exchange difference arising on the revaluation of the AUD denominated loan between the Group's Australia and US operations were recognized in the profit or loss of the Group's US Operations. As this loan was not considered a part of the Group's net investment in its US operations (as there was a reasonable expectation that it would be repaid at a point in time in the future), the Group did not offset these foreign exchange differences as recognised in the US Group's profit and loss against the resulting foreign exchange amounts measured as part of the Group's reporting currency translation process, which are recognised as a component of other comprehensive income.

Effective from 1 July 2015, management's view is that settlement of this obligation in the foreseeable future is not likely to occur, and that it does in fact reflect a portion of the Group's net investment in its US operations. As a result of this election, exchange differences arising on revaluation of this loan within the results of the US Group's operations are, on a consolidation basis, netted against those arising through the Group's reporting currency translation process, which are recognised as a component of other comprehensive income. The net effect of this is to treat the instrument on a like basis to its equity investment in these operations. This has resulted in the recognition of a significantly reduced gross foreign exchange gain or loss in the profit and loss and other comprehensive income during the period.

Dividends

No dividends have been declared or paid during the period.

Earnings/(Loss) per share

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

As at/for the half-year period ended	31 Dec 2015	31 Dec 2014
Net profit/(loss) attributed to ordinary shareholders (in $'000)	5,848	(6,121)
Profit/(Loss) used in calculating basic and diluted earnings/(loss) per share (in '$000)	**5,848**	**(6,121)**
Number of shares (No'000) (Note 15)	833,331	833,331
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share (No'000):	833,331	833,331
Diluted earnings/(loss) 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/(loss) per share (No'000)	40,060	62,083
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share (No'000)	**833,331**	**833,331**
Basic earnings/(loss) per share (cents per share)	0.70	(0.73)
Diluted earnings/(loss) per share (cents per share)	0.70	(0.73)

17. Contingencies and commitments

There have been no material changes in contingent liabilities, contingent assets or commitments since the last annual reporting date, being 30 June 2015.

As a result of its operations, the Group has certain contingent liabilities related to certain litigation and legal proceedings. The Group has determined that the possibility of a material outflow related to these contingent liabilities is remote.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2015

18. Fair value of financial instruments

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

The fair values of cash and cash equivalents, trade and other receivables, 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 financial instruments traded in active markets such as publicly traded available-for-sale assets are based on quoted market prices at the statement of financial position date. The quoted market price used for financial instruments held by the Group is the current bid price. The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values as they are within agreed settlement terms.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

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

As at $'000	Level 1	Level 2	Level 3	31 Dec 2015	Level 1	Level 2	Level 3	30 Jun 2015
Financial liabilities at fair value								
Derivatives	-	-	(36)	(36)	-	-	(19)	(19)

19. Subsequent events

During early January 2016, the Klebb 4 well was drilled to a total depth of 2,188m and cased with 5-1/2" casing. The well which was directionally drilled, was cased with larger 5.5" casing to facilitate increased water and gas production capacity.

On 19 January 2016, as a result of the Group finalising and exiting its office leasing arrangements in West Perth, the Group was able to reduce the cash security deposits used to collateralise its existing bank guarantees. As a result, $287k of cash was released from these deposits and became available for general operating and corporate purposes.

With the exception of the above, there have been no other events subsequent to 31 December 2015 that would require adjustment to or disclosure in the interim unaudited condensed consolidated financial statements.

CORPORATE DIRECTORY

Directors
Mr M Carnegie (Chairman)
Mr D Wrench (Managing Director)
Ms J Rowe (Non-Executive Director)
Mr S Ashton (Non-Executive Director)
Mr B Ostwald (Non-Executive Director)
Mr D Baker (Executive Director)

Company Secretary
Mr S McGuinness

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

Strike
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