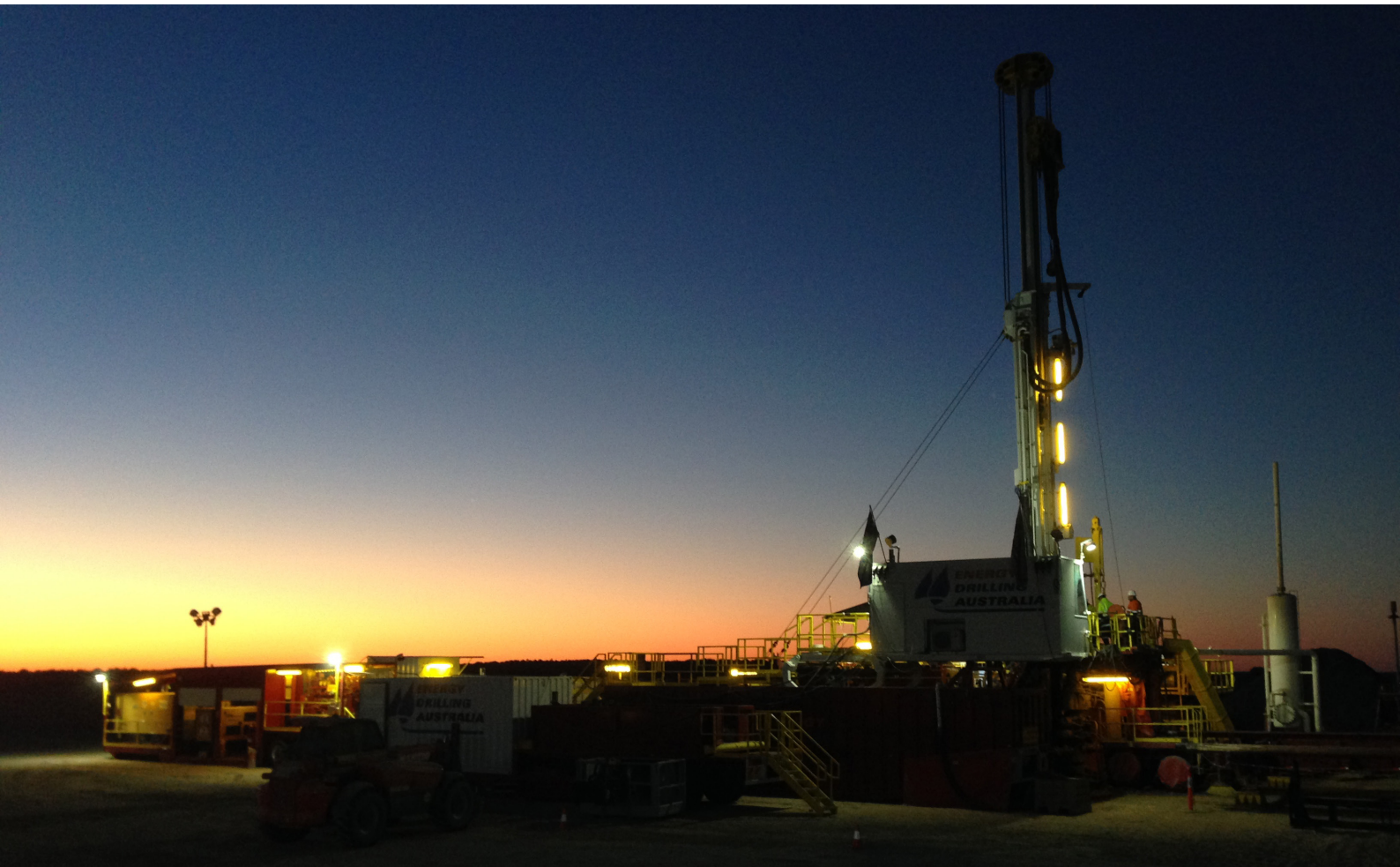


STRIKE ENERGY LIMITED

ACN 078 012 745

FINANCIAL REPORT

for the Half-Year Ended 31 December 2013



CORPORATE DIRECTORY

Directors

Mr Mark Carnegie (Chairman)
Mr David Wrench (Managing Director)
Mr Tim Clifton
Mr Simon Ashton
Mr Tim Goyder
Mr David Baker

Company Secretary

Mr Sean McGuinness

Registered Office

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PADDINGTON NSW 2021

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Auditors

Deloitte Touche Tohmatsu
Level 9, Grosvenor Place
225 George Street
SYDNEY, NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
SYDNEY, NSW 2000

Stock exchange listing

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

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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 2013.

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 unless otherwise stated.

- Mr Mark Carnegie Chairman (appointed 9 August 2013)
- Mr David Wrench Managing Director
- Mr Tim Clifton Non-Executive Director
- Mr Simon Ashton Non-executive Director
- Mr Tim Goyder Non-executive Director
- Mr David Baker Non-executive Director (appointed 11 September 2013)
- Mr Ben Thomas Executive Director (resigned 9 August 2013)
- Mr Eytan Uliel Non-executive Director (resigned 9 August 2013)

In addition on 22 November 2013, Mr Sean McGuinness the Group's Chief Financial Officer, was appointed as Company Secretary and Ms Salina Michels resigned.

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 reviewing the forward strategy for a number of the Group's United States assets.

Exploration and Development

Cooper Basin, South Australia

The Group continues to be one of the largest permit holders in the Southern Cooper and Eromanga Basins with over 15,000 km² net to Strike (over 3.7 million acres) across six permits.

During the half-year period, the Group focused on the planning, mobilisation and execution of the evaluation drilling program for the Le Chiffre 1 and Klebb 1 wells within PEL 96 (66.667% Strike) Phase 1 area. This drilling follows the Group's 2012 Cooper Basin drilling activities of the Marsden 1 and Davenport 1 wells within PEL 95 (50% Strike) and PEL 94 (35% Strike) respectively and, in conjunction with the signing of the binding term sheet with Orica (July 2013), marks a key step in the Group's rapid commercialisation plan for the Southern Cooper Basin gas resource.

The Le Chiffre 1 well, which is located approximately 4 km east of the Moomba to Adelaide Gas Pipeline, was drilled to a depth of 2,089 meters and cased using premium casing. A total of 105 metres of coal was encountered in the well, of which 86 metres was recovered in cores. Of note, was 46 metres of net coal within a 70 metres gross pay interval of the Patchawarra formation.

The Klebb 1 well which is located approximately 4 km west of the Moomba to Adelaide Gas Pipeline and 8 km west of the Le Chiffre 1 well was drilled to a total depth of 2,193 metres and was cased and cemented using premium casing in early January 2014. A total of 147 metres of coal was encountered by the well and observed via wire line logging. In particular, 89 metres of coal was observed in the Patchawarra Formation, including one 34 metres thick seam and two seams over 15 metres in thickness.

Data from the Le Chiffre 1 and Klebb 1 wells will continue to be analysed through the March 2014 Quarter. To date, preliminary results have confirmed:

- Very thick coal development in excess of pre-drill expectations; and
- Coals encountered in the primary target horizons having very low moisture content in the peak gas generation window for coals of this type.

Directors' Report

With initial evaluation drilling now complete, the Group has incorporated the data acquired into its resource and reservoir models to enable it to revise the previous assessment for the estimated prospective resource in the PEL 96 Phase 1 area while assessing the implications of this data on the production pilot test program which is planned to commence in the June 2014 Quarter.

As outlined in the Groups ASX announcement dated 19 February 2014, the estimated prospective gas resource for the PEL 96 permit has increased to 4.5 Tcf of recoverable gas net to the Group using the Group's Best Estimate (Pmean) as follows:

	Prospective Resource (Bcf of gas)^{1,2}
Low Estimate (P90)	2,767
Best Estimate (Pmean)	4,492
High Estimate (P10)	6,818

¹ Prospective Resource is defined in accordance with Chapter 19 of the ASX Listing rules as being "those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations".

² Recoverable sales gas, net to the Group as of 1 February 2014

Eagle Ford Shale, Texas

The Group has a 27.5% working 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, the Joint Venture completed the drilling of the Wolters #1H shale test well to a total measured depth of approximately 5,648 meters with approximately 1,700 meters of lateral. Due to technical issues in the well bore which were unable to be rectified, the fracture stimulation program was restricted to three stages with the well currently flowing intermittently and under evaluation by the Joint Venture operator.

The Bigham #1H well continues to produce at the rate of 15 Bbl of oil and 29 Mcf of gas per day net to the Group.

During the period, more commercial Eagle Ford production results were announced by adjacent operators. These results confirm the potential of this play while reinforcing the value that can be achieved by a large and proven operator. In light of these developments, the Group announced on 25 February 2014 that in conjunction with the Joint Venture operator a process had commenced to sell the Joint Ventures interest in Eagle Ford, while separately commencing a process to review the future of the Group's entire US portfolio.

The Group has elected during the half year period to recognise a non-cash impairment charge of \$A 7.0 million which represents the promote or premium historically paid to the JV operator.

Permian Basin, Texas

The Group holds a 25% working interest in the MB Clearfork Project which produces oil from 19 conventional Permian Basin wells in Martin County, Texas. During the half year, the MB Clearfork Project produced on average 21 Bbl of oil and 27 Mcf of gas per day, net to the Group. During the half year the MB Clearfork Unit #17 well was completed in the Middle Clearfork carbonate zone, which is the primary producer in the field. The well tested at approximately 35 Bbl and is currently producing at approximately 20-25 Bbl of oil per day (4-5bbl net to the Group).

Eaglewood Joint Venture (Wilcox formation), Texas

Strike is a participant in the Eaglewood Joint Venture (Strike 40%) which produces from the Louise gas-condensate field in Wharton County, Texas.

Other Australian Assets

The Group continues to evaluate its participation in a number of assets within the Carnarvon Basin.

Directors' Report

Production and Revenue

During the half year the Group realised revenue of approximately \$A 2.3 million of which, in excess of 95% was generated from its United States oil and gas production assets. Consistent with the trends in US domestic energy pricing, the Group benefited from a 23% (gas) and 26% (oil-condensate) pricing increase compared to the 2012 half year. This benefit was in part eroded however as a result of a decline in production volumes from the asset portfolio, which has seen the Group's net production fall to 1,078 Mcf of gas per day (20% decrease) and 64 Bbl of oil per day (7% decrease).

Gas and oil-condensate production and revenue is summarised in the following table:

Half Yearly Production	Area	1H 2013 (Mcf)	1H 2012 (Mcf)	% change
Gas	Eaglewood JV – Louise field	187,590	238,420	(21%)
	Permian Basin – MB Clearfork Project	3,835	535	617%
	Eagleford Shale – Bigham 1H	5,249	6,870	(24%)
	Total Gas (Mcf)	196,674	245,825	(20%)
Half Yearly Production	Area	1H 2013 (Bbl)	1H 2012 (Bbl)	% change
Oil-condensate	Eaglewood JV – Louise field	3,976	5,268	(25%)
	Permian Basin – MB Clearfork Project	4,897	4,154	18%
	Eagleford Shale – Bigham 1H	2,785	3,096	(10%)
	Total Condensate (Bbl's)	11,658	12,518	(7%)
Half Yearly Revenue	Area	1H 2013 (A\$'000)	1H 2012 (A\$'000)	% change
Gas	Eaglewood JV – Louise field	858	916	(6%)
	Permian Basin – MB Clearfork Project	32	2	1500%
	Eagleford Shale – Bigham 1H	23	7	229%
	Total Gas \$'000	\$913	\$925	(1%)
Oil-condensate	Eaglewood JV – Louise field	451	498	(9%)
	Permian Basin – MB Clearfork Project	514	341	51%
	Eagleford Shale – Bigham 1H	325	259	25%
	Total Oil \$'000	\$1,290	\$1,098	178%
Total USA Half Year Revenue \$'000		\$2,203	\$2,023	9%

Loss for the period

The Loss for the period increased by A\$ 10.6 million to A\$ 13.8 million for the half year period ended 31 December 2013 compared to A\$ 3.2 million for the half year period ended 31 December 2012. The key driver for the increase in the loss for the half year period can be attributed to the recognition of non-cash impairment charges on the Groups portfolio of exploration, evaluation and production assets of A\$ 13.2 million (2012: A\$1.8 million) which was partially offset by the recognition of a net foreign exchange gain A\$ 1.3 million (2012: A\$ 0.4 million net foreign exchange loss).

Earnings (loss) per share

For the half year period ended \$'000	31 Dec 2013	31 Dec 2012
Basic Loss per share (cents per share)	(2.01)	(0.52)
Diluted loss per share (cents per share)	(2.01)	(0.52)

Directors' Report

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 2013 (half year period ended 31 December 2012: nil). There were no dividends declared or paid since 31 December 2013.

Significant changes in the state of affairs

Except as disclosed in the review of results and operations, and subsequent events (refer to note 21), 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

The information in this report that relates to oil and gas reserve estimates for the Group's Australian operations 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 Company is of a kind referred to in 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 relief to the nearest thousand dollars unless otherwise stated.

Subsequent events

On 7 January 2014 the Group received \$A 531,700 from the Australian Taxation Office (ATO) relating to eligible research and development (R&D) expenditure incurred during the year ended 30 June 2013. In addition on 16 January 2014 the Group received amounts outstanding from its Joint Venture partners relating to cash calls made during the reporting period which were outstanding at the balance date of \$A 1.6 million. The Group's proportionate share of this outstanding amount was \$A 1.1 million.

On 15 January 2014 the Group entered into a Gas Supply Agreement for 30 PJ of gas over 10 years with Orora Limited (the recently demerged Australian and Packaging Distribution of Amcor Limited) to be produced from the Group's Southern Copper Basin Gas Project centered around the PEL 96 permit. The respective key commercial terms of the agreement are outlined in the Group's ASX announcement dated 15 January 2014.

On 29 January 2014 the Group entered into a funding facility with Macquarie Bank (the Macquarie Facility) to provide pre-funding for eligible R&D expenditure to be incurred during the year ended 30 June 2014. The Macquarie Facility has an initial limit of \$A 3.0 million and can be drawn upon after the eligible R&D expenditure incurred has been validated by the Group's R&D advisors. Repayments under the Macquarie Facility will be made from the Group's R&D refund. An initial draw down under the facility of \$A 2.5 million was made on 30 January 2014.

On 19 February 2014, the Group announced the estimated prospective gas resource for the PEL 96 permit area has increased to 4.5 Tcf. Further details of this announcement are contained in the Exploration and Development section of the Review of Operations.

Directors' Report

On 25 February 2014, the Group announced that it has commenced in conjunction with the Joint Venture operator of the Eagle Ford Joint Venture a process to sell the Group's interest in this area. In conjunction with this process the Group is in the process of engaging advisors with a view of evaluating the remainder of the Group's US interests. The timing and potential proceeds that may be realised from the Eagle Ford Joint Venture sale process is uncertain at this stage.

On 27 February 2014 the Group entered into a Gas Supply Agreement for 12.5 PJ of gas over 10 years with Austral Bricks, a subsidiary of Brickworks Limited to be produced from the Group's Southern Copper Basin Gas Project centered around the PEL 96 permit. The respective key commercial terms of the agreement are outlined in the Group's ASX announcement dated 27 February 2014. This agreement complements the foundation option supply contract with Orica announced in July 2013 for the supply of up to 150 PJ of gas over a 20 year period and the agreement with Orora Limited announced on 15 January 2014. Under the respective terms of these agreements the Group expects to receive on meeting certain milestones, near term funding for use in the initial production pilot testing program in the Southern Cooper Basin Gas Project.

With the exception of the above, there have been no other events subsequent to 31 December 2013 that would require accrual 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, 10 March 2014

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www.deloitte.com.auBoard of Directors
Strike Energy Limited
120B Underwood Street
Paddington
Sydney NSW 2021

10 March 2014

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 2013, 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 Touche Tohmatsu
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Independent Auditor's Review Report to the members of Strike Energy Limited

We have reviewed the accompanying half-year financial report of Strike Energy Limited, which comprises the condensed statement of financial position as at 31 December 2013, 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 9 to 23.

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 2013 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.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited.

Directors' Declaration

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 2013 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, 10 March 2014

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 giving 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, 10 March 2014

Interim Unaudited Condensed Consolidated Statement of Comprehensive Income
For the half-year period ended

\$'000	Note	31 Dec 2013	31 Dec 2012
Revenue from oil and gas sales	7(a)	2,274	2,181
Cost of sales	7(b)	(1,024)	(859)
Gross profit		1,250	1,322
Other income	7(c)	1,516	1,044
Corporate expenses		(603)	(430)
Amortisation and depreciation	7(d)	(844)	(512)
Employment benefits expense		(1,340)	(1,786)
Exploration, evaluation and production assets impairment		(13,235)	(1,806)
Other expenses		(1,565)	(695)
Loss from operating activities		(14,821)	(2,863)
Financial income	8	1,409	114
Financial expenses	8	(419)	(423)
Net financial income/(expenses)		990	(309)
Loss before income tax		(13,831)	(3,172)
Income tax benefit/(expense)	9	-	-
Loss for the period		(13,831)	(3,172)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit of loss			
Exchange differences arising on translation of foreign operations		(400)	(145)
Other comprehensive income/(loss) for the period, net of income tax		(400)	(145)
Total comprehensive income/(loss) for the period		(14,231)	(3,317)
Total comprehensive income/(loss) attributable to owners of the Company		(14,231)	(3,317)
Loss per share			
- Basic (cents per share)		(2.01)	(0.52)
- Diluted (cents per share)		(2.01)	(0.52)

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 Finance Position

As at 31 December 2013

\$'000	Note	31 Dec 2013	30 June 2013
Cash and cash equivalents	10	3,729	1,408
Trade and other receivables		2,446	904
Other financial assets	11	1,532	2,602
Total current assets		7,707	4,914
Other financial assets	11	278	293
Exploration and evaluation expenditure	12	42,505	40,172
Oil and gas production assets	13	4,475	5,435
Property, plant and equipment		115	348
Total non-current assets		47,373	46,248
Total assets		55,080	51,162
Trade and other payables		5,941	954
Derivatives		-	-
Provisions		245	249
Borrowings	14	1,676	2,546
Total current liabilities		7,862	3,749
Trade and other payables		-	-
Derivatives		61	92
Provisions		178	184
Borrowings	14	5,212	2
Total non-current liabilities		5,451	278
Total liabilities		13,313	4,027
Net assets		41,767	47,135
Equity			
Issued capital	15	107,212	98,480
Reserves	16	(2,154)	(1,885)
Accumulated losses		(63,291)	(49,460)
Total equity		41,767	47,135

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 exchange translation reserve	Total Reserves	Accumulated losses	Total Equity
Balance at 1 Jul 2012	98,480	3,626	(5,902)	(2,276)	(35,242)	60,962
Exchange differences arising on translation of foreign operations	-	-	(145)	(145)	-	(145)
Loss for the period	-	-	-	-	(3,172)	(3,172)
Total comprehensive income for the period	-	-	(145)	(145)	(3,172)	(3,317)
Recognition of share-based payments	-	276	-	276	-	276
Balance at 31 Dec 2012	98,480	3,902	(6,047)	(2,145)	(38,414)	57,921
Balance at 1 Jul 2013	98,480	4,061	(5,946)	(1,885)	(49,460)	47,135
Exchange differences arising on translation of foreign operations	-	-	(400)	(400)	-	(400)
Loss for the period	-	-	-	-	(13,831)	(13,831)
Total comprehensive income for the period	-	-	(400)	(400)	(13,831)	(14,231)
Recognition of share-based payments	-	131	-	131	-	131
Issue of ordinary share during the period	9,200	-	-	-	-	9,200
Share issue costs	(468)	-	-	-	-	(468)
Balance at 31 Dec 2013	107,212	4,192	(6,346)	(2,154)	(63,291)	41,767

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 2013	31 Dec 2012
Cash flows from operating activities		
Receipts from customers	2,419	1,803
Net receipts/(payments) for joint venture recoveries	100	(23)
Payments to suppliers and employees	(3,918)	(2,944)
Net cash (used in)/provided by operating activities	(1,399)	(1,164)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(8,804)	(9,723)
Payments for oil and gas production assets	(83)	(536)
Refund of security deposits	15	-
Payments for property, plant and equipment	(12)	(138)
Net cash used in investing activities	(8,884)	(10,397)
Cash flows from financing activities		
Proceeds from issue of equity instruments of the Company	9,200	-
Payment of share issue costs	(468)	-
Proceeds from borrowings	5,034	-
Repayment of borrowings	(853)	-
Interest received	87	190
Interest paid	(401)	-
Net cash provided by financing activities	12,599	190
Net increase/(decrease) in cash and cash equivalents	2,316	(11,371)
Cash and cash equivalents at the beginning of the period	1,408	16,502
Effects of exchange rate changes on the balance of cash held in foreign currencies	5	(81)
Cash and cash equivalents at the end of the period	3,729	5,050

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 ended 31 December 2013

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 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

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

The address of the registered office of the Company is 120 B Underwood Street, Paddington, NSW, 2000, 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 2013.

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 assets held-for-sale which are measured at fair value less costs to sell and 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 Company is of a kind referred to in 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 relief 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 ended 31 December 2013

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 2013.

Standards and Interpretations affecting amounts reported in the current period

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

- AASB 10 Consolidated Financial Statements *
- AASB 11 Joint Arrangements *
- AASB 12 Disclosure of Interests in Other Entities *
- AASB 127 Separate Financial Statements (2011) *
- AASB 128 Investments in Associates and Joint Ventures (2011) *
- AASB 13 Fair Value Measurement and AASB 2012-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards *
- AASB 119 Employee Benefits (2012) and AASB 2012-10 Amendments to Australian Accounting Standards arising from AASB 119 (2012)
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

Certain of the above new accounting standards, interpretations and revisions (as indicated (*)) modified a number of the key criteria and concepts that deal with the principals of consolidation (introducing new criteria for the assessment of control), limiting the permissible options pertaining to the accounting for joint ventures, while prescribing additional guidelines for equity accounted investments. 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, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2017	30 June 2018
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
Interpretation 21 Levies	1 January 2014	30 June 2015
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	30 June 2015
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	30 June 2015

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Standard/Interpretation	Effective for the annual reporting period Beginning on	Expected to be initially applied in the financial year ending
AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure requirements	1 January 2014	30 June 2015
AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders	1 January 2014	30 June 2015

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

3. Financial risk management

Exposure to market risk (including currency risk, interest rate risk and commodity prices), credit risk and liquidity risk arises in the normal course of the Group's business. During the half year ended 31 December 2013, the Group continued to apply the risk management objectives and policies as disclosed in the annual financial report for the year ended 30 June 2013.

4. Seasonality

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

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 on-going 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 2013.

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.

The Group has four reportable segments under AASB 8 and is managed by both business activity and geographical location. The accounting policies of the reportable segments are the same as the Group's accounting policies. The segment result represents 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.

Notes to the interim unaudited condensed consolidated financial statements
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For the half year period ended \$'000	Australia Exploration		Australia Production		USA Exploration		USA Production		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Continued operations										
Revenue from oil and gas sales	-	-	71	158	-	-	2,203	2,023	2,274	2,181
Cost of sales	-	-	(55)	(18)	-	-	(969)	(841)	(1,024)	(859)
Gross profit	-	-	16	140	-	-	1,234	1,182	1,250	1,322
Amortisation	-	-	-	-	-	-	(791)	(458)	(791)	(458)
Exploration, evaluation and production asset impairment	(453)	-	-	-	(7,016)	(1,806)	(5,766)	-	(13,235)	(1,806)
Segment result	(453)	-	16	140	(7,016)	(1,806)	5,323	724	(12,776)	(942)
Depreciation									(53)	(54)
Other income and expenses									(1,992)	(1,867)
Net financing income/ (expense)									990	(309)
Loss before income tax									(13,831)	(3,172)
Income tax benefit									-	-
Consolidated segment profit/(loss) for the period									(13,831)	(3,172)

Information about major customers

Included in revenue from oil and gas sales of are revenues of approximately \$1,657,000 (2012: \$1,677,000) which arose from sales to the Group's largest customer.

7. Revenue and expenses

For the half year period ended \$'000	31 Dec 2013	31 Dec 2012
(a) Revenue		
Gas Sales	913	925
Oil Sales	1,361	1,256
	2,274	2,181
(b) Cost of sales		
Production costs	286	268
Royalties and taxes	738	591
	1,024	859
(c) Other Income		
Cost recoveries	942	1,002
Royalty income	42	42
Eligible R&D refund	532	-
	1,516	1,044
(d) Amortisation and depreciation		
Amortisation – oil and gas production assets	791	458
Depreciation – property, plant and equipment	53	54
	844	512

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8. Net Financial Income/(Expenses)

For the half year period ended \$'000	31 Dec 2013	31 Dec 2012
Interest income on cash and cash equivalents	87	114
Net foreign currency exchange gain	1,322	-
Financial Income	1,409	114
Interest expense on financial liabilities	(344)	-
Financing transaction costs and fees	(75)	-
Net foreign currency exchange loss	-	(423)
Financial Expenses	(419)	(423)

9. Income Tax

For the half year period ended \$'000	31 Dec 2013	31 Dec 2012
Reconciliation of effective tax rate		
(Loss)/profit from operations	(13,831)	(3,172)
Income tax (benefit)/expense calculated at 30%	(4,149)	(952)
Effect of income and expenditure that is either not assessable or deductible in determining taxable profit	(388)	233
Effect of tax concessions (research and development and other allowances)	(160)	-
Effect of different tax rate on US subsidiaries	(573)	(75)
Effect of tax losses not brought to account	5,270	794
	-	-

10. Cash

As at \$'000	31 Dec 2013	30 June 2013
Cash and Cash equivalent	1,729	1,408
Short term deposits	2,000	-
	3,729	1,408

11. Other financial assets

As at \$'000	31 Dec 2013	30 June 2013
Current		
Advances (1)	1,430	2,465
Prepayments	102	137
	1,532	2,602
Non-current		
Security deposits	278	293
	278	293

(1) Advances represent payments made to the operators of certain of the Group's US joint ventures which will be used in the future for the exploration and evaluation activities.

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12. Exploration and evaluation expenditure

The following table details the Group's expenditures on exploration and evaluation properties by area of interest for the half-year ended 31 December 2013.

For the half year period ended \$'000	Texas, USA	Louisiana, USA	Carnarvon Basin, Australia	Future Gas Project, Australia	Cooper Basin, Australia	Other	TOTAL
Balance at 1 July 2013	28,068	-	-	-	11,828	276	40,172
Foreign exchange movements	812	-	-	-	-	-	812
Additions	6,931	2	68	14	6,770	719	14,504
Transfer to oil & gas producing assets	(5,514)	-	-	-	-	-	(5,514)
Impairment charge	(6,979)	(2)	(68)	(14)	(167)	(239)	(7,469)
Balance at 31 December 2013	23,318	-	-	-	18,431	756	42,505

13. Oil and gas production assets

The following table details the Group's expenditures on oil and gas production by area of interest for the half-year ended 31 December 2013.

For the half year period ended \$'000	Texas, USA
Balance at 1 July 2013	5,435
Additions	83
Transfer from exploration expenditure	5,514
Amortisation of oil and gas production assets	(791)
Impairment charge	(5,766)
Balance at 31 December 2013	4,475

14. Borrowings

As at \$'000	31 Dec 2013	30 June 2013
BlueRock Facility (a)(i)	1,674	2,544
Orica Facility (ii)	-	-
Finance lease liabilities	2	2
Total Current Borrowings	1,676	2,546
BlueRock Facility (a)	2,711	-
Orica Facility (ii)	2,500	-
Finance lease liabilities	1	2
Total Non-current borrowings	5,212	2
(a) BlueRock facility (current and non-current)	4,464	2,636
Embedded derivative	(79)	(92)
Carrying amount	4,385	2,544

(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 Shales and Permian

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Basin wells in the United States. Repayments under the BlueRock facility are dependent on revenue generated from certain of the Group's US production assets (80% of net revenue to be used for settlement of the outstanding principal and interest, with the option to reduce to 70%). The weighted average effective interest rate on the loan is 18%. Under the terms of the BlueRock facility, the Group has granted BlueRock a perpetual overriding royalty interest of 0.5%-1% in certain of the Group's US production assets.

- (ii) On 15 July 2013, the Group entered into a loan agreement with Orica Australia Pty Ltd (Orica) for the purpose of funding components of the budgeted and approved programme associated with the PEL 96 Joint Venture operations (the Orica Facility). The loan is interest free and is repayable 5 years from the date of drawdown or at a date as mutually agreed between the parties.

15. Issued capital

For the half year period ended	Number of shares (No'000)		Issued capital (\$'000)	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Balance at beginning of financial year	614,519	614,519	98,480	98,480
Placements during the year	92,000	-	9,200	-
Share issue costs during the year	-	-	(468)	-
Balance at end of financial year	706,519	614,519	107,212	98,480

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 regard to the Group's residual assets in the event of a wind-up.

16. Reserves

For the half year period ended \$'000	31 Dec 2013	30 June 2013
Share-based payment reserve	4,192	4,061
Foreign currency translation reserve	(6,346)	(5,946)
	(2,154)	(1,885)

Share-based payments reserve

The Group has established an employee share plan whereby, at the discretion of Directors, options and other instruments may be granted over the ordinary shares of the Company for the benefit of Directors, Executives and certain employees of the Group. The instruments are granted in accordance with performance guidelines established by the Board. Options are convertible into one ordinary share of the Company following the completion of the prescribed vesting period and the successful achievement of specified performance criteria.

In addition, the Group has issued options to Underwriters for equity raising services. At 31 December 2013, Underwriters held options over 6,000,000 ordinary shares of the Company, which will expire on 31 August 2014.

For the half year period ended	31 Dec 2013	
	Number of Options ('000)	Weighted average exercise Price
Balance at beginning of financial year	21,375	0.21
Granted during the period	-	-
Expired/forfeited during the period	(1,175)	0.29
Exercised during the period	-	-
Balance at end of period	20,200	0.21
Exercisable at end of period	-	-

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For the half year ended 31 December 2013

During the half year period ended 31 December 2013, the Group recognised an expense of \$131 thousand within the profit and loss component of the statement of comprehensive income (2012: \$276 thousand).

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.

Dividends

No dividends have been declared or paid during the period.

17. Earnings (loss) per share

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

As at/for the half year period ended	31 Dec 2013	31 Dec 2012
Net loss attributed to ordinary shareholders (in '\$000)	(13,831)	(3,172)
Loss used in calculating basic and diluted loss per share (in '\$000)	(13,831)	(3,172)
Number of shares (Note 15)	706,519,664	614,519,664
Weighted average number of ordinary shares used in calculating basic loss per share (No'000):	687,020	614,519
Diluted earnings per share:		
The number of options which are potential ordinary shares that are not dilutive and hence not used in the valuation of the diluted loss per share (No'000)	20,200	23,675
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share (No'000)	687,020	614,519
Basic loss per share (cents per share)	(2.01)	(0.52)
Diluted loss per share (cents per share)	(2.01)	(0.52)

18. 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 2013.

19. Fair value of financial instruments

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

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

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

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.

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- 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);
- 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	30 June 2013	Level 1	Level 2	Level 3	31 Dec 2013
Financial liabilities at Fair Value								
Derivatives	-	-	(92)	(92)	-	-	(61)	(61)

20. Related party transactions

During the period the Group entered into an arrangement to lease office space at 120 B Underwood Street, Paddington, NSW with M H Carnegie & Co Pty Limited a director related entity through Mr M Carnegie. Under the terms of the agreement, which commenced on 12 September 2013, the Group is required to make annual lease payments of \$42,520 plus outgoings. Under the terms of the agreement the lease is able to be terminated by either party through the provision of one months' notice.

21. Subsequent event

On 7 January 2014 the Group received \$A 531,700 from the Australian Taxation Office (ATO) relating to eligible research and development (R&D) expenditure incurred during the year ended 30 June 2013. In addition on 16 January 2014 the Group received amounts outstanding from its Joint Venture partners relating to cash calls made during the reporting period which were outstanding at the balance date of \$A 1.6 million. The Group's proportionate share of this outstanding amount was \$A 1.1 million.

On 15 January 2014 the Group entered into a Gas Supply Agreement for 30 PJ of gas over 10 years with Orora Limited (the recently demerged Australian and Packaging Distribution of Amcor Limited) to be produced from the Group's Southern Copper Basin Gas Project centered around the PEL 96 permit. The respective key commercial terms of the agreement are outlined in the Group's ASX announcement dated 15 January 2014.

On 29 January 2014 the Group entered into a funding facility with Macquarie Bank (the Macquarie Facility) to provide pre-funding for eligible R&D expenditure to be incurred during the year ended 30 June 2014. The Macquarie Facility has an initial limit of \$A 3.0 million and can be drawn upon after the eligible R&D expenditure incurred has been validated by the Group's R&D advisors. Repayments under the Macquarie Facility will be made from the Group's R&D refund. An initial draw down under the facility of \$A 2.5 million was made on 30 January 2014.

On 19 February 2014, the Group announced the estimated prospective gas resource for the PEL 96 permit area has increased to 4.5 Tcf. Further details of this announcement are contained in the Exploration and Development section of the Review of Operations.

On 25 February 2014, the Group announced that it has commenced in conjunction with the Joint Venture operator of the Eagle Ford Joint Venture a process to sell the Group's interest in this area. In conjunction with this process the Group is in the process of engaging advisors with a view of evaluating the remainder of the Group's US interests. The timing and potential proceeds that may be realised from the Eagle Ford Joint Venture sale process is uncertain at this stage.

On 27 February 2014 the Group entered into a Gas Supply Agreement for 12.5 PJ of gas over 10 years with Austral Bricks, a subsidiary of Brickworks Limited to be produced from the Group's Southern Copper Basin Gas Project centered around the PEL 96 permit. The respective key commercial terms of the agreement are outlined in the Group's ASX announcement dated 27 February 2014. This agreement complements the foundation option supply contract with Orica announced in July 2013 for the supply of up to 150 PJ of gas over a 20 year period and the agreement with Orora Limited announced on 15 January 2014. Under the respective terms of these agreements the

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Group expects to receive on meeting certain milestones, near term funding for use in the initial production pilot testing program in the Southern Cooper Basin Gas Project.

With the exception of the above, there have been no other events subsequent to 31 December 2013 that would require accrual or disclosure in the interim unaudited condensed consolidated financial statements.