strike energy

ACN 078 012 745

Financial Report for the half-year ended 31 December 2020

Contents

Directors' Report

The Board of Directors (the "Board" or the "Directors") of Strike Energy Limited (the "Company") and its subsidiaries (together referred to as the "Group") submit their report for the half-year period ended 31 December 2020.

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

- Mr John Poynton AO — Chairman (non-executive)
- Mr Stephen Bizzell — Director (non-executive)
- Ms Mary Hackett — Director (non-executive) (appointed 27th October 2020)
- Mr Stuart Nicholls — Managing Director and Chief Executive Officer
- Mr Neville Power — Director (non-executive)
- Ms Jody Rowe — Director (non-executive) (retired 1st December 2020)
- Mr Andrew Seaton — Director (non-executive)
- Mr Justin Ferravant — Company Secretary

Summary

Strike's focus during the half year has been delivering the West Erregulla appraisal programme and continuing the evaluation of targets for the 2021 exploration campaign. This has set Strike up to continue an exciting period that is expected to add material new well and subsurface results to Strike's existing discovered Perth Basin resources at West Erregulla. Strike's 100% owned acreage to the south of West Erregulla in the Permian Gas Fairway will be further explored as part of the 2021 drilling campaign, and on success could significantly exceed Strike's existing discovered Perth Basin resources.

During the last reporting period, Strike also announced the launch of Project Haber which would facilitate a move into downstream processing of urea. The project includes a proposed 1.4mtpa urea plant near Geraldton in Western Australia, which is expected to underpin the commercialisation of Strike's Greater Erregulla conventional gas resources. Strike has completed pre-feasibility studies with TechnipFMC and entered into discussions with several parties with an interest in securing offtake and or equity in the project. In Q2/21, Strike will commence a formal offtake tender with various Australian and international urea consumers.

During the half year, the Company also announced its decision to close its Cooper Basin pilot project in South Australia.

Strike bolstered its capital position with confirmation of an up to $28 million pre-development facility from Macquarie Bank, to fund the West Erregulla appraisal programme. This, and the conclusion of the Company's ongoing Research & Development ("R&D") issues, which saw $8 million in R&D refunds returned to Strike, resulted in the Company ening the reporting period in a strong financial position.

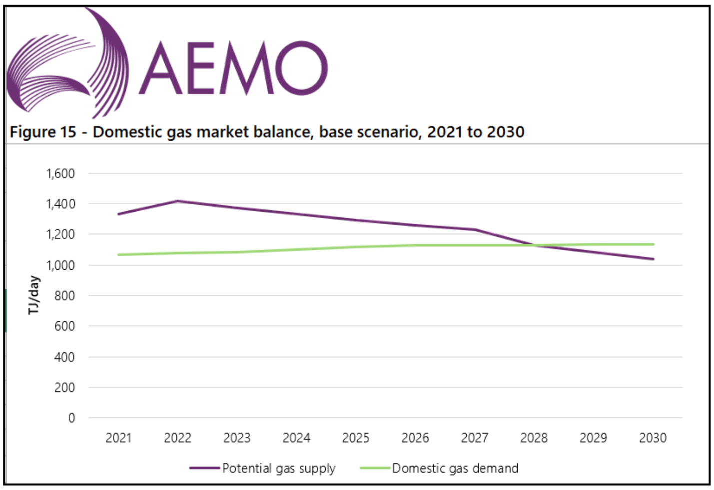
WA Gas market

Several major developments have occurred in the Western Australian gas market during the period that align with the Company's development strategy.

The growing resource base in the Perth Basin underpinned APA Group's announcement that it will build a pipeline connecting the Perth Basin to the energy constrained Goldfields Region. This is demonstrable evidence that these large scale, low-cost, onshore gas resources can facilitate further economic development and investment in broader infrastructure.

Directors' Report

In December of 2020, the Australian Energy Market Operator (AEMO) released its annual update on the supply and demand outlook for the WA domestic gas market, which forecasts a gas shortage from 2029. AEMO also indicated that nearly 50% of the current domestic gas market will enter into the recontracting cycle by mid-decade. In combination, this points to excellent market opportunities for Strike as we mature our Perth Basin resources through the 2021 appraisal and exploration program.



AEMO, 2020 Western Australia Gas Statement of Opportunities

West Erregulla

Strike and its joint venture partner in EP469, Warrego Energy Limited, signed a binding Heads of Agreement in September 2020 to develop the West Erregulla gas field in EP469. The joint venture has agreed to increase the Phase 1 development capacity from 50 to 80 TJ/d which will be delivered into the Dampier to Bunbury Natural Gas Pipeline. Australian Gas Infrastructure Group (AGIG) remains the preferred proponent to build, own and operate the Phase 1 facility which is progressing towards a final investment decision.

West Erregulla – Upstream Development

Strike finalised the Field Development Plan and has subsequently completed the upstream FEED for the gathering network and infield pipelines at West Erregulla. Strike is now preparing the upstream packages for tendering with the major items and construction tenders expected to complete before the end of the current financial year.

West Erregulla - Finance

In September 2020, Strike executed a pre-development debt facility with Macquarie Bank Limited for up to $28 million to support the drilling costs of the West Erregulla wells. The two-year facility is broken up into two tranches, with the first tranche of $13 million now available for drawdown after achieving financial close for that tranche, and the second tranche of up to $15 million being subject to certain drilling milestones and further lender approvals.

West Erregulla – Appraisal Drilling

During the period Strike opened its 2020/2021 appraisal and exploration drilling campaign with the West Erregulla 3 well. Upon WE3 reaching a depth of 4,294m, abnormally over-pressured gas was encountered.

The Company interpreted that WE3 had drilled into a fault zone, which connects the full Permian source rock sequence, and that the Carynginia in the Northern Fault Block of West Erregulla would appear to host an abnormally high, over-pressured and gas charged reservoir. These recent over-pressures are at a magnitude not previously observed in the Perth Basin.

The interim results from WE3, as announced to the ASX on 23 December 2020, bode well for

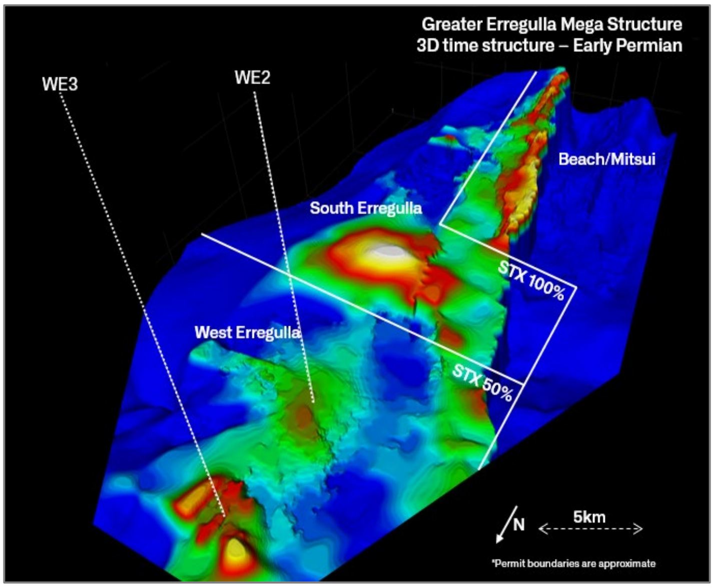
Directors' Report

additional commercial-conventional and hybrid pay to be identified throughout Strike's Permian gas fairway permits and will help the Company to high-grade and prioritise further drilling targets.

Whilst both of these events are a very positive indication of the presence of a larger, higher-quality resource at WE3 than anticipated, the unexpected presence of these over-pressures meant the WE3 well had to be temporarily suspended whilst additional well engineering, materials and equipment are procured. In order to maximise rig efficiency, the rig moved to the WE4 well and subsequent to the period, spud the well to commence drilling operations.

South Erregulla

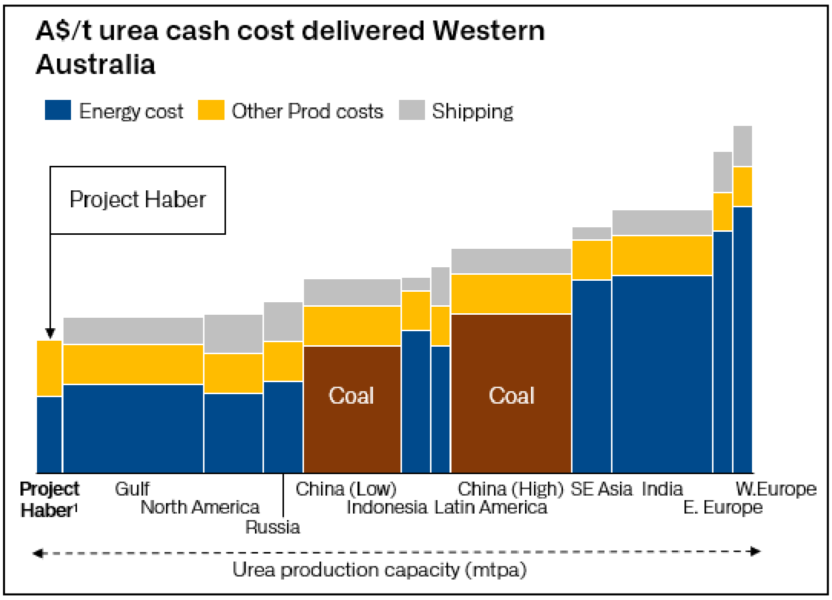
Strike completed processing and interpretation of the Trieste 3D seismic survey, which covers the southern portion of the South Erregulla structure in Beach Energy and Mitsui E&P's EP320 permit.



Based on this analysis, Strike's interpretation of the Greater Erregulla region's prospectivity is consistent with public statements made by Perth Basin neighbour, Beach Energy's CEO and MD Matt Kay, who stated during Beach's FY20 Results and Outlook presentation "*We also completed the acquisition of the Trieste 3D seismic survey, which confirmed multi-TCF exploration potential in EP320*".

Following the grant of exploration permits EP503 and 504 during the period, Strike is now progressing the Maior 2D seismic campaign over South Erregulla (prior to the Minjiny 3D) in order to de-risk a well location and accelerate drilling for South Erregulla-1 using one of the three drilling slot options that Strike has secured with the Ensign Rig 970.

Project Haber



Sources: CF Fertilisers, Strike Energy analysis. Based on 2018 inputs costs of energy. Henry Hub ~US$3.10/mmbtu.

Shortly after the end of the reporting period, on 11 January 2021, Strike announced that with TechnipFMC it had completed feasibility studies on the development of a 1.4 mtpa urea production facility, which would process gas from Strike's Greater Erregulla development in the Perth Basin. Natural gas is a critical input into ammonia and urea production, and access to competitively priced gas from Strike Perth's Basin resources will be a key enabler for the project.

Strike's world class low-cost onshore gas resources in the Greater Erregulla region will form the backbone of the commercial viability of Project Haber. Once developed, the project is expected to consume 86 TJ per day of natural gas, and up to 628 PJ over a 20-year timeframe.

The total development is estimated to cost approximately US$1.8 billion (A$2.30 billion) with a 20-30 year useful life. Gross fertiliser revenues from Project Haber are estimated between approximately

Directors' Report

A$540-700 million per annum, based on current urea prices in both wholesale and direct markets. Strike has entered into discussions with several parties with an interest in securing offtake and/or equity in the project.

Walyering

Strike also announced it had completed the sale of a 45% non-operated interest in Walyering (EP447) to Talon Petroleum Limited, which included the formation of an unincorporated Joint Venture for the appraisal and, if warranted, development of Walyering. Farming out Walyering is in line with Strike's strategy of accelerating production of large volumes of domestic gas from its Perth Basin portfolio, in order to capture additional market share during a period of expected supply shortage during the mid-part of the decade.

As advised above, Strike has procured several options for drilling slots on Rig 970 of which Walyering is likely to be the first well in a post-West Erregulla drilling campaign.

Cooper Basin

With the Southern Cooper Basin Gas Project not yielding a sustained commercial rate of gas production, Strike decided to cease piloting operations. Strike started the process of safely mothballing the pilot at the end of the half year with an estimated de-manning date of 28 February 2021. In the Company's FY20 accounts, it recognised $12.3 million of unearned revenue associated with the three gas offtake options in place for the Southern Cooper Basin Gas Project, which were brought to an end on cessation of the pilot. The Company has now extinguished the 'other liabilities' as associated with these amounts and will assess its options with regards to its interests in the Cooper Basin.

Corporate

Aligned with the shutdown of the Southern Cooper Basin Gas Project and the evolution of our operational focus on the Perth Basin, the Board of Directors has decided to close the South Australian office and relocate the Company's head office and registered office to Perth. Some changes to key personnel are expected to occur with the transition of the office, and Strike's Board is actively managing business continuity, with particular consideration to the operational timelines of the Company's various projects.

Significant changes in the state of affairs

Except as disclosed in the Directors' Report, and subsequent events (refer to note 22 in the Notes to the Condensed Consolidated Financial Statements), there have been no significant changes in the state of affairs of the Group during the current reporting period.

Auditor's independence declaration

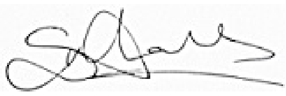
The Company has obtained an independence declaration from our auditors, Deloitte Touche Tohmatsu, which follows the Directors' Report.

Subsequent events

Other than as set out in note 22 in the Notes to the Condensed Consolidated Financial Statements, there have been no events subsequent to 31 December 2020 that would require adjustment to or disclosure in the condensed consolidated financial statements.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to and for the purposes of s 303 (5) and s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Stuart Nicholls, Managing Director

Adelaide, South Australia, 22 February 2021

Deloitte Touche Tohmatsu
ABN 74 490 121 060
11 Waymouth Street
Adelaide, SA, 5000
Australia

Tel: +61 8 8407 7000
www.deloitte.com.au

22 February 2021

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

Dear Board Members

Strike Energy Limited

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

As lead audit partner for the review of the financial report of Strike Energy Limited for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
11 Waymouth Street
Adelaide, SA, 5000
Australia

Tel: +61 8 8407 7000
www.deloitte.com.au

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

Conclusion

We have reviewed the half-year financial report of Strike Energy Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-year Financial Report section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 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.

Deloitte.

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.

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants
Adelaide, 22 February 2021

Directors' Declaration

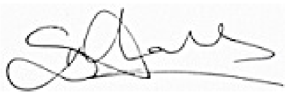
The Directors declare that:

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

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

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

On behalf of the Directors



Stuart Nicholls

Managing Director

Adelaide, South Australia

22 February 2021

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the half-year period ended 31 December 2020

$'000	Note	31 Dec 2020	31 Dec 2019
Other income	6(a)	13,633	1,013
Total revenue		**13,633**	**1,013**
Operating and administration expenses	6(b)	(7,014)	(4,105)
Profit from operating activities		**6,619**	**(3,092)**
Financial income	7	146	43
Financial expense	7	(563)	(73)
Net financial expense		**(417)**	**(30)**
Profit before income tax		**6,202**	**(3,122)**
Income tax benefit	8	9,130	-
Profit (loss) for the period		**15,332**	**(3,122)**
Total comprehensive income attributable to owners of the Company		**15,332**	**(3,122)**
Earnings per share			
From continuing and discontinued operations			
- Basic (cents per share)	19	0.90	(0.21)
- Diluted (cents per share)	19	0.89	(0.21)

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2020

$'000	Note	31 Dec 2020	30 June 2020
Cash and cash equivalents	9	16,920	21,565
Trade and other receivables	10	3,182	369
Inventory		18	18
Other assets	11	652	363
Total current assets		**20,772**	**22,315**
Right of use asset		175	256
Exploration and evaluation assets	12	51,719	37,671
Property, plant and equipment		227	275
Other assets	11	3,270	-
Total non-current assets		**55,391**	**38,202**
Total assets		**76,163**	**60,517**
Trade and other payables	13	(6,202)	(1,970)
Employee benefits		(469)	(387)
Provisions	14	(804)	(537)
Borrowings	15	-	-
Total current liabilities		**(7,475)**	**(2,894)**
Accruals	13	(507)	-
Employee benefits		(159)	(161)
Provisions	14	(2,898)	(2,805)
Borrowings	15	(322)	-
Other liabilities	16	(5,000)	(17,277)
Lease Liabilities		(278)	(371)
Total non-current liabilities		**(9,164)**	**(20,614)**
Total liabilities		**(16,639)**	**(23,508)**
Net assets		**59,524**	**37,009**
Equity			
Issued capital	17	212,985	211,978
Reserves	18	10,555	4,379
Accumulated losses		(164,016)	(179,348)
Total equity		**59,524**	**37,009**

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

Condensed Consolidated Statement of Changes in Equity

For the half-year period ended 31 December 2020

$'000	Issued Capital	Total Reserves	Accumulated Losses	Total Equity
Balance at 1 Jul 2019	**179,419**	**2,319**	**(81,942)**	**99,796**
Profit(loss) for the period	-	-	(3,122)	(3,122)
Total comprehensive income for the period	**-**	**-**	**(3,122)**	**(3,122)**
Issue of ordinary shares during the period	34,001	-	-	34,001
Recognition of share-based payments	-	1,236	-	1,236
Share issue costs	(1,428)	-	-	(1,428)
Balance at 31 Dec 2019	**211,992**	**3,555**	**(85,064)**	**130,483**
Balance at 1 Jul 2020	**211,978**	**4,379**	**(179,348)**	**37,009**
Profit(loss) for the period	-	-	15,332	15,332
Total comprehensive income for the period	**-**	**-**	**15,332**	**15,332**
Transfer of options exercised	88	(88)	-	-
Issue of ordinary shares during the period	919	-	-	919
Recognition of share-based payments	-	6,264	-	6,264
Share issue costs	-	-	-	-
Balance at 31 Dec 2020	**212,985**	**10,555**	**(164,016)**	**59,524**

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

Condensed Consolidated Statement of Cash Flows

For the half-year period ended 31 December 2020

$'000	31 Dec 2020	31 Dec 2019
Cash flows from operating activities		
R&D refund	7,998	-
Interest received	195	32
Interest paid	(11)	(31)
Net receipts from joint venture recoveries	1,296	1,007
Payments to suppliers and employees	(2,892)	(2,527)
Net cash (used in)/provided by operating activities	**6,586**	**(1,519)**
Cash flows from investing activities		
Payments for exploration, evaluation expenditure assets	(13,067)	(12,525)
Payments made for acquisition costs	-	-
Payments for property, plant and equipment		(55)
Advances made to/from JV partners	1,000	-
Net cash used in investing activities	**(12,067)**	**(12,580)**
Cash flows from financing activities		
Proceeds from issue of equity instruments	919	31,452
Payment of share issue costs	-	(1,427)
Term deposit maturity	-	(37)
Payment of Lease Liabilities	(93)	-
Net cash provided by/ (used in) financing activities	**826**	**29,988**
Net increase/(decrease) in cash and cash equivalents	**(4,655)**	**15,889**
Cash and cash equivalents at the beginning of the period	**21,565**	**11,351**
Effects of exchange rate changes on the balance of cash held in foreign currencies	10	3
Cash and cash equivalents at the end of the period	**16,920**	**27,243**

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

Notes to the Condensed Consolidated Financial Statements

1. Reporting entity

Strike Energy Limited (the "Company") is a for profit company limited by shares and incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange.

The condensed consolidated financial statements of the Company as at and for the half-year period ended 31 December 2020 comprises of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates, joint ventures and joint operations.

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

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

2. Basis of preparation

2.1 Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with the Corporations Act and *AASB 134 Interim Financial Reporting*. The condensed consolidated financial statements also comply with International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB") where relevant. The disclosures required in these condensed consolidated financial statements are less extensive than the disclosure requirements for annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial report of the Group for the year ended 30 June 2020.

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

2.2 Going concern

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

For the half year ended 31 December 2020 the Group incurred a net profit before income tax of $6,202,000 (2019: net loss before income tax $3,122,000), had a net cash inflow from operating activities of $6,586,000 (2019: outflow of $1,519,000), and a net cash outflow from investing activities of $12,067,000 (2019: $12,580,000). As at 31 December 2020, the Group had a net current asset surplus position of $13,297,000 (2019: $25,909,000) and cash reserves of $16,920,000 (2019: $27,243,000).

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

- Drawdown of Tranche 2 of the Macquarie debt facility to fund WE-5 becomes available during the second half of the 2021 calendar year once the conditions precedent, which are yet to be finalised, are met. In the event that the conditions precedent for drawing down Tranche 2 are not met this would result in a delay to the proposed WE-5 drilling program, until further funds are raised; and
- Continued deferral of currently suspended permits in the Perth Basin area and therefore no amounts are spent in relation to these permits over the 12 month cash flow forecast period.

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

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2020

2.3 Basis of measurement

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

2.4 Presentation currency

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

2.5 Rounding of amounts

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

2.6 Accounting policies and recently issued accounting pronouncements

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in the annual financial statements for the year ended 30 June 2020.

Where the entity has a loan that allows the holder to drawn down at any time over a fixed period and the drawn loan must be repaid by a fixed date regardless of when the loan is drawn down this will be capitalised to the balance sheet and then released to the profit and loss on a systematic basis over the life on the loan.

3. Financial risk management

Exposure to market risk (including currency risk, interest rate risk and commodity prices risk), credit risk, liquidity risk and climate change risk arises in the normal course of the Group's business. During the half-year ended 31 December 2020, the Group continued to apply the risk management objectives and policies as disclosed in the annual financial report for the year ended 30 June 2020.

4. Use of estimates and judgements

The preparation of these condensed consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are 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 2020.

5. Segment reporting

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

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

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2020

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

6. Revenue and expenses

For the half-year period ended $'000	31 Dec 2020	31 Dec 2019
(a) Other income		
Cost recoveries	1,296	1,007
Deferred revenue release(i)	12,277	-
Other	60	6
	13,633	**1,013**
(b) Operating and administration expenses		
Depreciation – property, plant and equipment	(48)	(46)
Employee benefits expense	(1,941)	(1,384)
Share-based payments expense	(2,763)	(1,284)
Corporate expenses	(578)	(647)
Legal fees	(469)	(142)
Consulting fees	(40)	(265)
Office costs	(19)	(14)
Impairment Expense	(971)	-
Other	(185)	(323)
	(7,014)	**(4,105)**

(i) During the half-year Strike provided notice and entered into agreements with various counterparties to terminate and end the three offtake options associated with the Southern Cooper Basin Gas Projects. With the termination of these options Strike has released the unearned revenue to the profit and loss.

7. Net financial expense

For the half-year period ended $'000	31 Dec 2020	31 Dec 2019
Interest income on cash and cash equivalents	146	43
Financial income	**146**	**43**
Interest expense on financial liabilities	(13)	(73)
Bank charges	(550)	-
Financial expense	**(563)**	**(73)**

8. Income tax

For the half-year period ended $'000	31 Dec 2020	31 Dec 2019
Reconciliation of effective tax rate		
Profit/(Loss) from continuing operations	**6,202**	**(3,122)**
Income tax benefit/(expense) calculated at 27.5% (2019: 27.5%)	(1,705)	859
Effect of income and expenditure that is either not assessable or deductible in determining taxable profit	(2,205)	(354)
Effect of tax concessions (research and development and other allowances)	9,130	-
Effect of deferred tax arising from equity	-	396

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2020

For the half-year period ended $'000	31 Dec 2020	31 Dec 2019
Effect of deferred tax expense not brought to account	3,910	(901)
Income tax benefit/(expense)	**9,130**	-

9. Cash and cash equivalents

As at $'000	31 Dec 2020	30 June 2020
Cash and cash equivalents	16,920	21,565
	16,920	**21,565**

10. Trade and other receivables

As at $'000	31 Dec 2020	30 June 2020
Current		
GST receivable	303	164
Other receivables	1,747	205
R&D receivable	1,132	
	3,182	**369**

11. Other assets

As at $'000	31 Dec 2020	30 June 2020
Current		
Advances	27	17
Security deposits	202	202
Prepayments	423	144
	652	**363**
Non-Current		
Prepayments(i)	3,270	-
	3,270	-

(i) The non-current prepayment relates to the issue of 35 million options to Macquarie to subscribe for Strike ordinary shares at an exercise price of 29 cents as outlined in Note 15. The amount is being capitalised to the balance sheet over the vesting period. The prepayment will be amortised to the profit and loss over the life of the facility, being 24 months from the initial utilisation date of 13 November 2020.

12. Exploration and evaluation assets

For the half-year period ended $'000	Total
Balance at 1 July 2020	**37,671**

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2020

For the half-year period ended $'000	Total
Additions	13,346
Change in restoration provision	702
Balance at 31 December 2020	**51,719**

13. Trade and other payables

As at $'000	31 Dec 2020	30 June 2020
Current		
Trade payables	4,173	1,795
Accruals and other payables	2,029	175
	6,202	**1,970**
Non-Current		
Accruals and other payables(i)	507	-
	507	-

(i) Non-current accrued costs under the AGIG early works agreement to be rolled into the tariff or paid if the agreement is cancelled.

14. Provisions

As at $'000	31 Dec 2020	30 June 2020
Current		
Restoration Provision(i)	722	186
Legal Fees	-	351
Redundancy provision	82	-
	804	**537**
Non-Current		
Restoration Provision(i)	2,898	2,805
	2,898	**2,805**

(i) The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas and is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements.

15. Borrowings

As at $'000	31 Dec 2020	30 June 2020
Macquarie Facility	322	-
Total non-current borrowings	**322**	-

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2020

During the half-year, the Group obtained a new debt facility of up to $28 million (tranche 1: $13 million, tranche 2: $15 million) (2020: nil). The draw down on loan bears interest at variable market rates (11% + bank bill swap rate) and is repayable within two years (12 November 2022). The proceeds from the loan are to be used for appraisal drilling and long lead items for the development of the West Erregulla Phase 1 Project. As part of the establishment costs, Strike has issued Macquarie 35 million options to subscribe for Strike ordinary shares at an exercise price of 29 cents.

The following table details the Group's remaining contractual maturity in relation to borrowings above. This table has been drawn up based on the undiscounted cash flows of the borrowings, based on the earliest date on which the Group can be required to pay. To the extent that the interest flows are at a variable rate, the undiscounted amount is derived from interest rate applicable at the end of the reporting period. The tables include both interest and principal cash flows.

$'000	Weighted average effective interest rate	<1 year	1-5 years	>5 years	Total
Borrowings	11%	-	322	-	322

16. Other liabilities

As at $'000	31 Dec 2020	30 June 2020
Unearned revenue – Gas prepayment agreements(i)	5,000	17,277
Total non-current borrowings	**5,000**	**17,277**

(i) Unearned revenue represents amounts received under the terms of the gas prepayment and option agreement pertaining to the future delivery of gas from the West Erregulla Project. As per note 6 the three offtake options associated with the Southern Cooper Basin Gas Project have been terminated and the unearned revenue has been released to the profit and loss.

17. Issued capital

	Number of shares (No'000)		Issued capital ($'000)	
For the period ended	**31 Dec 2020**	**30 June 2020**	**31 Dec 2020**	**30 June 2020**
Balance at beginning of period	1,706,248	1,544,087	211,978	179,419
Placements during the period, net of transaction costs	15,256	150,049	1,007	30,059
Orica debt conversion	-	12,112	-	2,500
Balance at end of period	**1,721,504**	**1,706,248**	**212,985**	**211,978**

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

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

18. Reserves

As at $'000	31 Dec 2020	30 June 2020
Share-based payments reserve	10,555	4,379
	10,555	**2,319**

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2020

Share-based payments reserve

Under the terms of the Employee Share Incentive Plan (the Plan) which was last approved by the Shareholders of the Company on 14 November 2019, both share options and performance rights can be granted to eligible employees for no consideration. Awards are granted for a two to three-year period, with a number of vesting conditions attached. Entitlements under these awards vest as soon as the associated vesting conditions have been met. Awards cannot be settled in cash. Awards under the plan carry no dividend or voting rights. Strike has also issued Macquarie 35 million options to subscribe for Strike ordinary shares at an exercise price of 29 cents for establishment costs.

Change in instruments on issue

For the half-year period ended 31 December 2020	Number of instruments ('000)
Balance at beginning of period	
- Options	**36,091**
Options granted during the period	43,000
Options exercised/forfeited during the period	(6,091)
Balance at end of period	**73,000**
- Performance rights	**29,970**
Performance rights granted during the period	4,895
Performance rights exercised/forfeited during the period	(9,164)
Balance at end of period	**25,701**

Instruments outstanding

The balance of share options and performance rights on issue as at 31 December 2020 is as follows:

Instrument	Date granted	Expiry date	Exercise price of instrument	Number of instruments	Weighted average fair value at grant date
Options(i)	31 Jul 2020	31 Jul 2022	$0.15	24,000,000	$0.118
Options	14 Nov 2019	25 Sep 2022	$0.35	6,000,000	$0.089
Options	01 Dec 2020	31 July 2022	$0.23	3,000,000	$0.100
Options	01 Dec 2020	31 July 2022	$0.35	5,000,000	$0.120
Options	13 Nov 2020	13 May 2023	$0.29	35,000,000	$0.150
Total Options				**73,000,000**	
Performance rights	17 May 2018	N/A	Nil	2,500,000	$0.076
Performance rights	14 Dec 2018	30 Sep 2021	Nil	3,517,605	$0.054
Performance rights	16 Aug 2019	30 Sep 2022	Nil	7,991,379	$0.124
Performance rights	24 Oct 2019	30 Sep 2022	Nil	1,551,724	$0.281
Performance rights	16 Dec 2019	30 Sep 2021	Nil	5,245,086	$0.217
Performance rights	21 May 2020	30 Sep 2023	Nil	2,223,871	$0.205
Performance rights	01 Dec 2020	30 Sep 2023	Nil	2,671,580	$0.129
Total Performance Rights				**25,701,245**	

(i) Modification of options during the half year period. Modification occurred 31 July 2020 with expiry date of options being extended until 31 July 2022.

Dividends

No dividends have been declared or paid during the period.

19. Earnings per share

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

As at/for the half-year period ended	31 Dec 2020	31 Dec 2019
Net profit attributed to ordinary shareholders (in $'000)	15,332	(3,122)
Earnings used in calculating basic and diluted earnings per share (in $'000)	**15,332**	**(3,122)**
Number of shares (No '000)	1,721,504	1,706,122
Weighted average number of ordinary shares used in calculating basic earnings per share (No '000)	1,710,843	1,492,694
Diluted earnings per share:		
The weighted average number of ordinary shares used in calculating diluted earnings per share (No '000)	1,721,223	1,492,694
The number of instruments which are potential ordinary shares that are not dilutive and hence not used in the valuation of the diluted earnings per share (No '000)	46,000	38,901
Basic earnings per share (cents per share)	0.90	(0.21)
Diluted earnings per share (cents per share)	0.89	(0.21)

20. Fair value of financial instruments

The fair value representing the mark-to-market of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in an orderly transaction between market participants.

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

Fair values are categorised levels 1 to 3 based on the degree to which the fair value is observable.

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

21. Contingencies and commitments

Litigation and legal proceedings

Strike reached a settlement with Innovation and Science Australia (ISA) regarding Strike's FY16 registration and FY18 R&D preregistration under the Industry Research and Development Act 1986 (Cth). Strike subsequently lodged its income tax return adjustments and received a refund of $6,217,000 for the FY16 and FY18 R&D tax incentive.

Notes to the Condensed Consolidated Financial Statements

For the half-year period ended 31 December 2020

22. Subsequent events

Strike has completed feasibility studies for a 1.4mtpa urea facility with a blended input of some blue and green hydrogen. Development WA approved an option to lease over 60 hectares of strategically positioned land near Geraldton with transport infrastructure for the project. Subject to completion of FEED and a final investment decision on the project, the project will provide additional demand for Strike's low-cost Perth Basin gas and will support the commercialisation of the Greater Erregulla gas resources.

There have been no other events subsequent to 31 December 2020 that would require adjustment to or disclosure in the condensed consolidated financial statements.

CORPORATE DIRECTORY

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

Company Secretary
Justin Ferravant

Registered Office
1/31-35 George Street
Thebarton, South Australia 5031

PO Box 639
Torrensville Plaza SA 5031
Telephone: (+61) 8 7099 7464
Website: www.strikeenergy.com.au
Enquiries: web.query@strikeenergy.com.au

Auditors
Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide, SA 5000

Share Registry
Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
Sydney, NSW 2000

Telephone: (+61) 2 9290 9600
Facsimile: (+61) 2 9279 0664
Website: www.boardroomlimited.com.au
Enquiries: enquiries@boardroomlimited.com.au

Stock Exchange Listing
Australian Securities Exchange – Code STX