ASX Announcement

21 September 2015

The Company Announcement Officer
ASX Ltd
via electronic lodgement

2015 ANNUAL FINANCIAL REPORT

Strike Energy Limited (ASX:STX) ("the Company" or "Strike") is pleased to release to shareholders its Annual Financial Report for the year ended 30 June 2015.

Shareholders of the Company will shortly receive information pertaining to the Annual General Meeting of the Company which is scheduled to be held at 11am on Thursday, 29 October 2015 at the offices of Deloitte in Sydney.

Yours faithfully



SEAN MCGUINNESS
Chief Financial Officer & Company Secretary

STRIKE ENERGY LIMITED

ACN 078 012 745

ANNUAL FINANCIAL REPORT

for the Year ended 30 June 2015



Strike Energy





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

SOUTHERN COOPER BASIN, SOUTH AUSTRALIA

PARTICIPATION IN OVER TWO MILLION NET ACRES WITH A SUBSTANTIAL GAS RESOURCE IN PLACE





CONTENTS

Chairman's Letter 4
Managing Director's Report 5
Production and Reserves 7
Directors' Report 9
Auditor's Independence Declaration 21
Independent Auditor's Report 22
Directors' Declaration 24
Financial Statements 25
Additional Securities Exchange Information 69
Corporate Directory 70



Chairman's Letter

Dear Shareholders,

In my letter to shareholders that accompanied our 2014 Annual Report, I adapted a Charles Dickens line from A Tale of Two Cities: *'It was the worst of times. It is not yet the best of times.'* It was in this context that I outlined last year our strategic plan to deliver the next chapter in our Company's evolution, which I expect to be the *'best of times'*.

During the 2015 financial year, we executed and advanced this strategy to deliver on our core goal of realising significant value for our shareholders through the development of a world scale, multi-Tcf gas resource within our Southern Cooper Basin Gas Project.

Our key achievements over the past year are as follows:

- Achieved sustained gas flows to surface at both the Klebb and Le Chiffre locations with gas production building steadily.
- Initial contingent resource certification by leading international petroleum consultants DeGolyer and MacNaughton.
- Incremental funding of $9.9 million received via innovative gas prepayment arrangements with investment grade offtake partners.
- Klebb 2 and 3 frac programs successfully completed in early July 2015, ahead of the ongoing Klebb multi-well test program.
- PEL 96 exploration and appraisal program in excess of $19 million funded without raising equity capital.
- Completed the year with $11.7 million in cash with a post balance date receipt of $8.5 million from the ATO under its R&D eligible rebate scheme (a portion of which will be used to repay our existing funding facilities).

In outlining these achievements, I must acknowledge and thank the ongoing support of our initial offtakers - Orica, Orora and Brickworks - whose support for this project has provided both a high level of confidence to our shareholders and the market, while providing the necessary incremental funding to advance our field work programs.

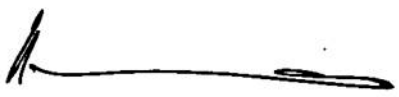
These achievements place us both operationally, commercially and financially on track to progress confidently towards the rapid commercialisation of this multi-Tcf resource during a relatively volatile period in the market where we have seen a 'global meltdown' in oil and gas prices.

We are, as a result, ideally positioned to be the next major new gas supplier in the East Coast gas market in a highly favourable sector and operating cost environment.

I would like to thank my other fellow Directors, the executive team, staff and contractors for the contributions they have made to the Company and their efforts over the past year.

I would finally like to acknowledge the Company's shareholders and thank you for your continued support - my commitment is to deliver the *'best of times'* to you over the coming year.

Yours sincerely



Mark Carnegie

Chairman – Strike Energy Limited

Managing Director's Report

The financial year ending 30 June 2015 was a year of continued progress with our efforts focussed firmly on the rapid appraisal and commercialisation of our Southern Cooper Basin Gas Project.

The FY 15 year has been a very active period for Strike as the Company continues to accelerate the evaluation and commercialisation of the Southern Cooper Basin Gas Project ("SCBGP"). Strike believes that successful development of the SCBGP will be transformational, delivering substantial value for our shareholders as one of the only multi-Tcf scale gas resources capable of providing new, near term, cost competitive gas supply to the Eastern Australian gas market.

A number of major operating milestones were achieved during flow testing at both the Le Chiffre and Klebb locations.

The results of the first phase of flow testing at Le Chiffre 1 and Klebb 1 allowed leading independent petroleum industry consulting firm DeGolyer and MacNaughton to assess a Contingent Resource for the initial flow test zones with limited contingencies, thereby providing independent confirmation of our substantial progress to date. Additional appraisal wells were drilled and completed prior to a second phase of flow testing, with a third phase, which is currently underway, focussing on achieving commercial flow rates.

Following the Contingent Resource assessment by DeGolyer and MacNaughton, Orica made its first pre-payment of $7.5 million under the terms of the 250 PJ Gas Sales Agreement. Similarly, the positive outcome of the independent review triggered the final prepayment from Orora under their 45 PJ Gas Sales Agreement.

The Company completed the financial year with $11.7 million cash on hand and is well funded to undertake its planned activities during the 2016 financial year.

We enter FY 16 with a funded, focussed program designed to achieve commercial gas flows in the near term from the Klebb location. This will position the Southern Cooper Basin Gas Project as a leading long-life, cost competitive gas resource capable of supplying domestic and export gas markets.

The Southern Cooper Basin Gas Project

Strike continues to be one of the largest exploration permit holders in the South Australian Cooper Basin with over 2.2 million net acres across five permits.

The SCBGP extended flow testing commenced at Le Chiffre 1 and Klebb 1 in the first half of the financial year with the objective of establishing sustained gas flow rates, improving our understanding of the key reservoir parameters including gas saturation, management of formation water and developing our well and field operating procedures.

Initial results from Le Chiffre 1 and Klebb 1 exceeded our expectations, with all of the principal objectives of this program being accomplished within weeks of commencing flow testing. Gas was able to be sampled from the Le Chiffre 1 wellhead after only a few hours of flowing. Downhole pressure, gas production and sample data from Le Chiffre 1 indicate gas saturation in excess of 90% at this location.

In addition, the Klebb 2 and Klebb 3 wells were drilled and completed with surface equipment commissioned at the Klebb 2 location prior to the end of December 2014. These additional wells were and continue to be tested in conjunction with Klebb 1 as part of a multi-well production flow test (Phase 2 and 3 flow testing).

The overall results of the first two phases of the flow testing program (i.e. single well and three-well pilot testing) have been very encouraging, with early sustained gas flows confirming high gas saturations. Data gathered through the execution of the program confirmed that sustained pressure reductions have been achieved at both the Le Chiffre and Klebb locations, demonstrating the direct relationship between reservoir pressure reduction and increasing gas flows.

During the Phase 2 testing, DeGolyer and MacNaughton were engaged to undertake an independent resource review and a Contingent Resource was assessed for the initial test zones in the Le Chiffre 1 and Klebb 1 wells. Limited contingencies were noted but more importantly, the project already satisfied many typical contingencies including low well costs, gas sales agreements, proximity to pipeline infrastructure and market pricing.

Phase 3 flow testing will focus on confirming the commercial flow potential of the wells. To do this, the Company has recently completed a workover and fracture stimulation program at the Klebb location. The fracture stimulation at both the Klebb 2 and Klebb 3 wells were designed to increase the productivity of these offset wells so as to more effectively compete with Klebb 1. We expect that the performance of these wells will constrain the Klebb 1 drainage volume to achieve a more rapid pressure decline and an increased near term gas flow.

Managing Director's Report

The addition of pre and post fracture stimulation performance from the Klebb 2 and Klebb 3 wells adds significantly to our database and is yielding important insights into the behaviour and ultimate performance potential of this unique reservoir.

The Company was offered a new block, now known as PELA 640, following our successful bid in the South Australia Government's 2014 bid round. The block is interpreted to contain an extension of the Weena Trough which we have been testing in PEL 96 and is believed to be highly prospective. The final award of this block is subject to negotiation of a Native Title Agreement, which is progressing.

Corporate and Commercial

During the financial year, Strike achieved a number of key financial and commercial milestones. The sale of a portion of our Eagle Ford exploration acreage for US$4.7 million, with prepayments under the various gas offtake arrangements and receipts under the R&D tax rebate scheme providing a combined $15.7 million of incremental funding during the year. As a result, we were able to fund an appraisal program in PEL 96 in excess of $19 million (net to Strike) without shareholder dilution.

United States Operations

Strike continues to hold the following portfolio of exploration and production assets in the United States:

- 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 year, the Bigham #1H well produced at an average rate of ~9 Bbl of oil and ~14 Mcf of gas per day net to Strike.
- 25% interest in the MB Clearfork Project that has 7,500 acres (1,875 acres net to Strike) under lease in the Permian Basin, one of the world's premier oil locations in Martin County, Texas**.** During the year, the MB Clearfork Project produced ~23 Bbl of oil and ~35 Mcf of gas per day net to Strike, from 20 conventional oil wells.
- 40% interest in the Eaglewood Joint Venture that is focused on the conventional Wilcox formation in Colorado Country, Texas which has operated the Louise gas-condensate field since mid-2010. During the year, the Louise gas-condensate well produced at an average rate of ~16 Bbl of oil and ~796 Mcf of gas per day net to Strike.

Even though current market conditions are not favourable for a disposal or farmout of the Company's remaining US assets, options for an exit from the US continue to be evaluated.

Other Assets

During the year, management completed a program of relinquishment and release of its remaining non-core Australian permit interests.

Health, Safety and the Environment

We believe that the safety of our employees, contractors and all personnel involved in our business is of paramount importance. We continuously monitor our operations to ensure compliance with our Safety Policies and all relevant laws and regulations. We are very proud that during the year, we experienced no lost time injuries or serious incidents at the locations where we operate.

We also believe in the protection of our environment and adhere strictly to our Environmental Policy and all relevant laws and regulations. During the year, we also recorded no serious environmental incidents at the locations where we operate.

The Company is well positioned with cash on hand of $11.7 million to build on our achievements in the coming year as we focus on accelerating the commercial development of the Southern Cooper Basin Gas Project. I am pleased with our achievements over the last 12 months. We have a talented and focused team working hard to deliver an exciting and profitable future for the Company and its shareholders.

Yours sincerely



David Wrench
Managing Director

Production and Reserves

Production

During the year, condensate production (prior to royalty deduction) decreased by 18% to 17,430 Bbls from 21,292 Bbls and gas production (prior to royalty deduction) decreased by 14% to 309 MMcf from 360 MMcf. Both instances are largely as a result of natural production decline across the portfolio of producing wells.

Strike's average realised gas price during the year was US $3.52/Mcf, down 29% from previous year whereas the average realised oil-condensate price was US $66.97/Bbl, down 31% from previous year. In both instances, the realised price changes reflect the underlying movements in US domestic oil and gas prices. A summary of the Company's share of production for the 2015 year (pre and post royalty deductions) is shown below.

Production		Louise Field	MB Clearfork	Bigham 1	Total
Gas (MMcf)	*Before royalties*	*291*	*13*	*5*	*309*
	After royalties	***218***	***10***	***4***	***232***
Oil-condensate (Bbls)	*Before royalties*	*5,806*	*8,515*	*3,109*	*17,430*
	After royalties	***4,355***	***6,803***	***2,332***	***13,490***

Reserves and Resource Statement

Strike's reserves pertaining to its US operations (after deduction of landowner royalties) and resources pertaining to its Australian Operations (Southern Cooper Basis Gas Project) are shown in the table below.

All projects by product		Gas (MMcf)	Oil (Mbbls)	Total (Mboe)
	Developed	897.5	41.1	190.7
1P	Undeveloped	-	-	-
	Developed and undeveloped	**897.5**	**41.1**	**190.7**
Proportion of total 1P reserves that are unconventional				4%
	Developed	897.5	41.1	190.7
2P	Undeveloped	-	-	-
	Developed and undeveloped	**897.5**	**41.1**	**190.7**
Proportion of total 2P reserves that are unconventional				4%
Contingent resources (2C)		**103,588**	**-**	**17,265**

All projects by region		US (Mboe)	SCBGP (Mboe)	Total (Mboe)
	Developed	190.7	-	190.7
1P	Undeveloped	-	-	-
	Developed and undeveloped	**190.7**	**-**	**190.7**
Proportion of total 1P reserves that are unconventional		4%	-%	4%
	Developed	190.7	-	190.7
2P	Undeveloped	-	-	-
	Developed and undeveloped	**190.7**	**-**	**190.7**
Proportion of total 2P reserves that are unconventional		4%	-%	4%
Contingent resources (2C)		**-**	**17,265**	**17,265**

Proved developed and undeveloped reserves reconciliation by product	Gas (MMcf)	Oil (Mbbls)	Total (Mboe)
30 June 2014	771.8	110.0	238.6
Revision to previous estimates	357.6	(55.4)	4.2
Extensions and discoveries	-	-	-
Acquisitions and divestments	-	-	-
Annual production	231.9	13.5	52.1
30 June 2015	897.5	41.1	190.7

Proved plus probable developed and undeveloped reserves reconciliation by product	Gas (MMcf)	Oil (Mbbls)	Total (Mboe)
30 June 2014	771.8	110.0	238.6
Revision to previous estimates	357.6	(55.4)	4.2
Extensions and discoveries	-	-	-
Acquisitions and divestments	-	-	-
Annual production	231.9	13.5	52.1
30 June 2015	897.5	41.1	190.7

2C Contingent resources annual reconciliation by region and product	SCBGP Gas (MMcf)	Total (Mboe)
30 June 2014	-	-
Revision to previous estimates	-	-
Extensions and discoveries	103,588	17,265
Acquisitions and divestments	-	
30 June 2015	**103,588**	**17,265**

*Barrels of oil equivalent (boe) and cubic feet of gas equivalent (cfe) are calculated on an industry standard 6:1 energy equivalence basis. The ratio does not reflect the relative commercial value of gas and oil-condensate.

Production and Reserves

Oil and gas reserves estimation process

Strike estimates and reports its petroleum resources in accordance with the definitions and guidelines of the Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers (SPE PRMS).

All estimates of petroleum reserves (reported on a deterministic basis) reported by Strike are prepared by members of management. During the financial period, Strike engaged the services of DeGolyer and MacNaughton (D&M) to independently assess the contingent resource estimate relating to the Group's Southern Cooper Basin Gas Project prior to the Group reporting this as of 31 March 2015 in its ASX announcement dated 27 April 2015.

Strike reviews and updates its US oil and gas reserves position on an annual basis and reports the updated estimates as of 30 June each year. Separately, Strike reviews and updates its gas reserves position as frequently as required by the magnitude of the petroleum reserves and changes indicated by new data.

Oil and gas reserves estimation process

The information in this report that relates to oil and gas reserve estimates at 30 June 2015 and 31 March 2015 is based on information compiled or reviewed by Mr C Thompson who holds a B.Sc in Geology Petroleum Engineering, a Graduate Diploma in Reservoir Evaluation and Management and is a member of the Society of Petroleum Engineers. Mr C Thompson is the Chief Operating Officer of the Group and has worked in the petroleum industry as a practicing reservoir engineer for over 20 years. Mr C Thompson has consented to the inclusion in this report of matters based on his information in the form and context in which it appears.



Directors' Report

The Directors of Strike Energy Limited (the "Company") submit herewith the annual report of the Company, its subsidiaries (together referred to as the "Group") and the Group's interest in associates, jointly controlled entities or operations and assets at the end of, or during, the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	Particulars
Mr M Carnegie	Chairman (non-executive), BA (Hons); B.Sc (Hons); M.Juris Mr Carnegie joined the Board on 9 August 2013 and was appointed Chairman on 11 September 2013. He has more than 30 years' experience as an entrepreneur, investor and corporate adviser in New York, London and Sydney. Mr Carnegie established venture capital and private equity firm M.H. Carnegie & Co. Pty Ltd in 2010.
Mr D Wrench	Managing Director (executive), B.Eng (Mining) (Hons) Mr Wrench joined the Board in 1998 and was appointed Managing Director on 1 October 2011. He has extensive experience in base and precious metal and energy markets in Australia and North America.
Mr S Ashton	Director (non-executive), B.Sc (Hons); M.Sc; MBA Mr Ashton joined the Board in 1997 and was a co-founder of Strike Energy Limited. He has over 35 years' experience in the Australian and international petroleum and resource industries. Mr Ashton is a member of the Audit and Risk committee and the Chair of the Nomination and Remuneration committee.
Ms J Rowe	Director (non-executive), Dip Acc; Dip FM; MAICD; MCIP Ms Rowe joined the Board on 30 June 2014 as a non-executive Director. She has over 20 years' experience in the oil and gas sector, having held a number of senior positions with a focus in the areas of contracts and procurement. Ms Rowe is the Chair of the Audit and Risk committee.
Mr B Ostwald	Director (non-executive), MAICD Mr Ostwald joined the Board on 30 June 2014 as a non-executive Director. He has over 20 years' experience in the management of large-scale infrastructure developments with a focus on Australian coal and coal seam gas projects. Mr Ostwald is a member of the Nomination and Remuneration committee.
Mr D Baker	Director (executive), BA, LL.B (Hons) Mr Baker initially joined the Board on 11 September 2013 as a non-executive Director, becoming an Executive Director on 1 July 2014. He has extensive corporate finance expertise across the resources industry. Mr Baker is a member of the Audit and Risk committee.

Company Secretary

Mr S McGuinness, a Fellow of the Institute of Chartered Accountants in Australia held the position of Company Secretary throughout the financial period.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of Directorship
Mr M Carnegie	Chandler Macleod Group Limited	February 2009 to 16 February 2015

Directors' Report

Directors' shareholdings

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Director	Number of fully paid ordinary shares	Number of options/performance rights
Mr M Carnegie	64,836,456	-
Mr D Wrench	2,986,919	21,000,000
Ms J Rowe	792,913	-
Mr B Ostwald	1,968,330	-
Mr S Ashton	9,949,382	-
Mr D Baker	6,000,000	5,500,000

Directors' meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director (while they were a Director). During the financial year, eleven Board meetings, five Audit and Risk committee meetings and four Nomination and Remuneration committee meetings were held.

Director	Board of Directors		Nomination and Remuneration Committee		Audit and Risk Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr M Carnegie	11	10	-	-	-	-
Mr D Wrench	11	11	-	-	-	-
Ms J Rowe	11	7	-	-	5	4
Mr B Ostwald	11	10	4	4	-	-
Mr S Ashton	11	11	4	4	5	5
Mr D Baker	11	11	-	-	5	5

Share options and performance rights granted to Directors and senior management

During the financial year, a total of 26,000,000 performance rights were granted to the following executives as part of their remuneration:

Executive	Number of performance rights granted	Number of ordinary shares under performance rights	Expiry date
Mr D Wrench	11,000,000	11,000,000	30 October 2018
Mr D Baker	5,500,000	5,500,000	30 October 2018
Mr S McGuinness	4,500,000	4,500,000	30 October 2018
Mr C Thompson	5,000,000	5,000,000	30 October 2018

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the Remuneration Report on pages 13 to 18. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Principal activities

The Group's principal activities during the course of the financial year were the evaluation and development of energy projects and the production of oil and gas in both Australia and the United States of America (USA).

Changes in state of affairs

There was no significant change in the Group's state of affairs during the financial year.

Directors' Report

Review of operations

Refer to the Managing Director's Report on page 5.

Financial review

For the year ended $'000	30 June 2015	30 June 2014
Revenue from oil and gas sales	2,696	4,268
Cost of sales	(1,704)	(1,825)
Gross profit	**992**	**2,443**
Amortisation and depreciation	(1,276)	(1,557)
Exploration, evaluation and production assets impairment	(16,910)	(21,773)
Net other income/(expenses)	1,311	(3,857)
Loss from operating activities	**(15,883)**	**(24,744)**
Net financial income/(expenses)	6,158	(1,435)
Loss before income tax	**(9,725)**	**(26,179)**

During the financial year, the Group realised revenues of approximately $2.7 million (2014: $4.3 million) which was generated from its portfolio of United States (US) oil and gas production assets. Consistent with the trends in US domestic energy pricing, the Group experienced a fall in the average realised price of gas (US$3.52/Mcf) and oil-condensate (US$66.97/Bbl) by 29% and 31% respectively, as compared to the previous financial year.

These price changes have also been negatively impacted by a decline in production volumes from the Group's portfolio of production assets which has seen the Group's average daily net production fall to 845 Mcf of gas per day (14% decrease) and 48 Bbl of oil per day (17% decrease).

The loss from operating activities for the financial year decreased by $8.8 million to $15.9 million compared to $24.7 million for the previous financial year. The key driver for the decrease in the loss for the financial year relates to the reduction in non-cash impairment charges from $21.8 million to $16.9 million. These impairment charges principally related to the Group's United States portfolio of exploration, evaluation and production assets which totalled $16.5 million (2014: $21.3 million). Post the completion of the Penn Virginia divestiture transaction and as outlined in the Group's interim results for the half year period ended 31 December 2014, the Board elected to fully impair the remaining exploration acreage associated with the Eagle Ford Joint Venture. Subsequent to this decision, the Board separately elected to impair in full the carried forward exploration expenditure associated with its Permian Basin Joint Venture interest. These decisions reflect the Board's intention to no longer actively pursue these areas and the expectation in the current market that opportunities to either divest or farm-out of this acreage is expected to be limited.

For the year ended $'000	30 June 2015	30 June 2014
Operating cash flows	12,812	67
Investing cash flows	(15,859)	(17,080)
Financing cash flows	3,983	26,227

Operating cash flows

The net operating cash inflow for the year of $12.8 million (2014: $0.1 million) directly benefited from the receipt of funds under the 2014 R&D refund of $5.8 million (2014: 2013 R&D refund of $0.5 million). Adjusting for the effect of the R&D refunds, the net operating cash flow improved from a net outflow of $0.4 million (2014) to a net inflow of $7.0 million (2015) principally as a result of additional gas prepayments received of $9.9 million (2014: $2.2 million) as well as a reduction in corporate overhead costs and a reduction in payments to the operators of the Group's US production assets.

Investing cash flows

The net cash used in investing activities for the period of $15.9 million benefited from the receipt of proceeds from the Group's disposal of a portion of its Eagle Ford exploration acreage ($5.0 million). During the period, payments for exploration, evaluation and oil and gas production assets increased to $20.9 million from $17.0 million (2014) as a result of the evaluation programme focused on the rapid commercialisation of the Group's Southern Cooper Basin Gas Project within Australia.

Directors' Report

Financing cash flows

The net financing activities for the period resulted in a net cash inflow of $4.0 million (2014: $26.2 million) and principally reflects the receipt of funding provided under the terms of the Macquarie Facility of $5.9 million (2014: $2.5 million) and interest generated on cash on deposit within Australia of $0.2 million (2014: $0.2 million); offset by repayments (principal and interest) under the Group's borrowing facilities of $2.1 million (2014: $5.2 million). The prior period cash flows additionally benefited from net proceeds from the Group's equity raising ($23.3 million) and funding provided under the terms of the BlueRock ($2.9 million) and Orica ($2.5 million) facilities.

Historical Group performance

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2015:

	2015	2014	2013	2012	2011
	$'000	$'000	$'000	$'000	$'000
Revenue	2,696	4,268	4,589	4,716	8,296
Net loss before tax	(9,725)	(26,179)	(14,218)	(14,427)	(8,143)
Net loss after tax	(9,725)	(26,179)	(14,218)	(14,427)	(8,143)
	$	$	$	$	$
Share price at start of year	$0.15	$0.07	$0.15	$0.16	$0.24
Share price at end of year	$0.13	$0.15	$0.07	$0.15	$0.16
Basic loss per share (cents)	(1.17)	(3.59)	(2.31)	(3.02)	(2.48)
Diluted loss per share (cents)	(1.17)	(3.59)	(2.31)	(3.02)	(2.48)

Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in an unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Group is subject to environmental regulations under State and Territory laws where it holds exploration permits and tenements. The Group is not aware of any breaches of these laws.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditors are outlined in note 10 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 10 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the audits; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethics Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 21.

Rounding off of amounts

The Company and Group is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' Report – Remuneration Report (audited)

Remuneration report

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Strike Energy Limited's key management personnel (KMP) for the financial year ended 30 June 2015.

For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel;
- Remuneration policy;
- Remuneration structure;
- Remuneration of key management personnel; and
- Key terms of employment contracts.

Key management personnel

The following persons acted as Directors and other KMP of the Group. Except as noted, the named persons held their current position for the whole of and since the end of the financial year:

Mr M Carnegie	Chairman and non-executive director
Mr D Wrench	Managing Director (executive)
Mr S Ashton	Non-executive director
Ms J Rowe	Non-executive director
Mr B Ostwald	Non-executive director
Mr D Baker	Executive director – commercial
Mr C Thompson	Chief Operating Officer
Mr S McGuinness	Chief Financial Officer and Company Secretary

Strike Energy remuneration policy

The compensation program for KMP of the Group is designed to ensure that the level and form of compensation achieves certain objectives including:

- Attracting and retaining talented, qualified and effective personnel;
- Motivating their short term and long term performance; and
- Aligning their interests with those of the Company's shareholders.

The Nomination and Remuneration committee and ultimately the Board are responsible for determining and reviewing remuneration arrangements for the Directors and senior management.

Generally, compensation is provided by the Company to its executive directors and senior management by way of base salary, superannuation, short term incentives (STI) and long term incentives (LTI). The overall objective is to ensure maximum stakeholder benefit from the retention of a high quality and high performing executive team.

Remuneration structure

Non-executive director remuneration

In line with corporate governance principles, non-executive directors are remunerated solely by way of fees and superannuation. Non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

Given the evolving nature of the Group's business, the Board continues to review the overall compensation plan for Directors so as to continue to address the remuneration philosophy objectives identified above.

The total fees paid to the Chairman and non-executive directors of the Board are kept within the total approved by shareholders. Since 1 September 2010, the fees payable to each non-executive director (which are inclusive of the associated superannuation obligations) have been set at $45,600 per annum with an incremental fee of $17,100 per annum being paid to the Chairman of the Board. From 1 July 2014, in addition to these fees, the respective chairs of

Directors' Report – Remuneration Report (audited)

the Audit and Risk and Nomination and Remuneration committees will be paid an additional fee of $4,000 per annum. This fee structure is comparable and has been based on other peer entities with a similar market capitalisation.

The remuneration of non-executive directors for the years ended 30 June 2015 and 30 June 2014 is presented within the remuneration of key management personnel tables within this report.

Executive officer remuneration

The Group aims to reward senior management with a level and mix of remuneration commensurate with their position and responsibilities to ensure consistency with the remuneration philosophy objectives identified above.

The Group has entered into standard contracts of employment with its senior management. Remuneration under these contracts consists of the following key elements:

- Fixed remuneration: being base salary, superannuation and other benefits (including non-monetary); and
- Variable remuneration: being a mix of STI and LTI.

Fixed remuneration

Fixed remuneration is reviewed annually by the Nomination and Remuneration committee with recommendations made to the Board. This process consists of a review of both the Company and individual's performance, a comparison of current/proposed remuneration with data attained from industry relevant peers or industry associations and advice or input from external parties.

Variable remuneration – short term incentive (STI)

The objective of the STI program is to link the achievement of the Group's short term performance objective with the remuneration received by senior management and employees charged with achieving those measures. The total potential STI available is set at a level so as to: (i) provide sufficient incentive for senior management and employees to achieve the performance measures; and (ii) ensure costs of the Group are managed.

STI payments granted are dependent on the extent to which performance measures are met. These measures consist of a variety of criteria focusing in the areas of safety and the environment, project exploration and development performance and targets, and financial performance. These measures were selected as they represent the key drivers for the short term success of the business and provide a framework for delivering longer term value.

On an annual basis, after consideration of the Group's performance against performance measures, the Nomination and Remuneration committee will recommend to the Board the amount, if any, of the STI to be paid. This process usually occurs within four months of the balance date. Payments can be made either in cash or through the award of equity instruments in the Company.

Variable remuneration – long term incentive (LTI)

The objective of the LTI program is to reward senior management in a manner that aligns remuneration with the creation of shareholder wealth. LTI grants to senior management are delivered in the form of either share options or performance rights under the Company's Employee Share Incentive Plan ("the Plan").

Instruments granted under the Plan are at the discretion of the Board and are based on recommendations as provided by the Nomination and Remuneration committee. Depending on the nature of the award, instruments will have a variety of vesting conditions attached to them such as continuity of employment and overall share price performance.

Where a recipient ceases employment prior to the required vesting conditions being met, the instruments are forfeited unless considered inappropriate by the Board. Instruments that have already vested automatically expire 90 days after the date of cessation of employment by a recipient unless considered inappropriate by the Board.

The Company's Security Trading policy prohibits speculative trading in the Company's securities or hedging of options granted under the Plan. Prohibited hedging practices include put/call arrangements over "in the money" options to hedge against a future drop in share price. The Board considers such hedging to be against the spirit of the Plan and inconsistent with shareholder objectives.

Further information on the Plan is set out under note 23.

Directors' Report – Remuneration Report (audited)

Remuneration consultant

From time to time, the Nomination and Remuneration committee will engage advisors to assist in the continual evolution and development of the Group's remuneration policies and framework. During the latter part of the 2014 financial year, Ernst & Young (Human Capital) were engaged to provide independent recommendations on the Group's future remuneration framework and strategy which were first applied in the 2015 financial year. The Nomination and Remuneration committee along with the Board have been satisfied that the advice obtained was independent and made free from undue influence by the members of the key management personnel to whom the recommendation relates. Fees paid in respect to this engagement totalled $41,000.

Shares issued on exercise of remuneration of options or performance rights

No Director or KMP exercised options or performance rights during the year ended 30 June 2015 (2014: Nil).

Remuneration of key management personnel

$	Short-term employee benefits				Post emp benefits	Termin-ation benefits	Share-based payments	
	Salary and fees	Cash bonus	Non-monetary	Other	Super			Total
Year ended 30 June 2015								
Non-executive directors								
Mr M Carnegie	62,700	-	-	-	-	-	-	62,700
Mr S Ashton	43,414	-	1,068	-	6,186	-	-	50,668
Ms J Rowe	49,596	-	-	-	-	-	-	49,596
Mr B Ostwald	45,600	-	-	-	-	-	-	45,600
Executive officers								
Mr D Wrench	402,500	-	7,189	-	38,238	-	192,660	640,587
Mr D Baker (i)	271,075	-	2,154	-	-	-	96,330	369,559
Mr C Thompson	344,000	-	6,050	-	32,680	-	110,173	492,903
Mr S McGuinness	288,750	-	12,776	-	27,431	-	92,691	421,648
Total	**1,507,635**	**-**	**29,237**	**-**	**104,535**	**-**	**491,854**	**2,133,261**
Year ended 30 June 2014								
Non-executive directors								
Mr M Carnegie (ii)	54,594	-	-	-	-	-	-	54,594
Mr T Clifton (iii)	42,976	-	12,039	-	6,158	-	-	61,173
Mr S Ashton	40,000	-	1,797	-	5,725	-	-	47,522
Mr T Goyder (iv)	40,000	-	1,199	-	5,725	-	-	46,924
Mr D Baker (i)	384,705	-	320	-	-	-	-	385,025
Mr E Uliel (v)	5,700	-	-	-	-	-	-	5,700
Ms J Rowe (vi)	-	-	-	-	-	-	-	-
Mr B Ostwald (vi)	-	-	-	-	-	-	-	-
Executive officers								
Mr D Wrench	349,995	50,000	4,713	-	32,375	-	98,062	535,145
Mr B Thomas (vii)	326,584	-	5,715	-	7,897	-	-	340,196
Mr C Thompson	320,000	-	2,827	-	29,600	-	45,571	397,998
Mr S McGuinness (viii)	167,577	-	5,145	-	15,501	-	2,312	190,535
Ms S Michels (ix)	85,398	-	-	-	6,308	-	-	91,706
Total	**1,817,529**	**50,000**	**33,755**	**-**	**109,289**	**-**	**145,945**	**2,156,518**

(i) Mr D Baker was appointed as a non-executive Director of the Company on 11 September 2013 and was subsequently appointed as an Executive Director from 1 July 2014. Salary and fees comprise Director fees (2015: $45,600, 2014: $36,480) and consulting fees (2015: $225,475, 2014: $348,225).
(ii) Mr M Carnegie was appointed as a Director of the Company on 9 August 2013.
(iii) Mr T Clifton resigned as a Director of the Company on 30 June 2014.
(iv) Mr T Goyder resigned as a Director of the Company on 30 June 2014.
(v) Mr E Uliel resigned as a Director of the Company on 9 August 2013.
(vi) Ms J Rowe and Mr B Ostwald were both appointed as Directors of the Company on 30 June 2014.
(vii) Mr B Thomas resigned as a Director of the Company on 9 August 2013 and as President of the Group's US Operations on 30 June 2014.
(viii) Mr S McGuinness was appointed as the Chief Financial Officer and Company Secretary on 22 November 2013.
(ix) Ms S Michels resigned as the Financial Controller and Company Secretary on 22 November 2013.

Directors' Report – Remuneration Report (audited)

Employee share incentive plan

The Group operates an employee share incentive plan ("the Plan") to which executive directors, senior management, employees and contractors or associated entities are able to participate. The Plan was last amended and approved by the Board on 14 May 2014 and was subsequently approved and ratified by the shareholders of the Company at the Annual General Meeting of the Company held on 30 October 2015. Under the terms of the revised Plan, Options and Performance Rights can be issued.

At the end of the financial year, the following share-based payment arrangements were in existence for KMP:

Instrument/Grant date	Expiry date	Grant date fair value	Exercise price of instrument	Number
Options - 18 November 2011 (ii)	18 November 2016	$0.08	$0.20	4,000,000
Options - 18 November 2011(iii)	18 November 2016	$0.07	$0.20	3,000,000
Options - 18 November 2011(iv)	18 November 2018	$0.08	$0.20	3,000,000
Options - 1 November 2012(vi)	1 November 2015	$0.09	$0.20	500,000
Options - 1 November 2012(i)	1 November 2017	$0.10	$0.20	500,000
Options - 1 November 2012(v)	1 November 2017	$0.10	$0.20	500,000
Performance rights – 14 May 2014 (vii)	14 May 2016	$0.06	Nil	500,000
Performance rights – 14 May 2014 (viii)	14 May 2016	$0.03	Nil	500,000
Performance rights – 14 May 2014 (ix)	14 May 2016	$0.01	Nil	500,000
Performance rights – 30 Oct 2014 (x)	30 October 2018	$0.07	Nil	8,666,668
Performance rights – 30 Oct 2014 (xi)	30 October 2018	$0.05	Nil	8,666,667
Performance rights – 30 Oct 2014 (xii)	30 October 2018	$0.03	Nil	8,666,665
				39,000,000

(i) Vests at grant date.
(ii) Vests 50% at 12 months from date of grant, 50% at 24 months from date of grant.
(iii) Vests after two years but within 5 years from the date of grant and when the closing price of the shares on the ASX is $0.35 or greater on five consecutive trading days.
(iv) Vests after two years but within 5 years from the date of grant and when the closing price of the shares on the ASX is $0.80 or greater on five consecutive trading days.
(v) Vests one year from date of grant.
(vi) Vests two years from date of grant.
(vii) Vests within two years from date of grant if the closing price of the shares on the ASX is $0.20 or greater on five consecutive trading days.
(viii) Vests within two years from date of grant if the closing price of the shares on the ASX is $0.35 or greater on five consecutive trading days.
(ix) Vests within two years from date of grant if the closing price of the shares on the ASX is $0.50 or greater on five consecutive trading days.
(x) Vests within four years from date of grant if the closing price of the shares on the ASX is $0.20 or greater on five consecutive trading days.
(xi) Vests within four years from date of grant if the closing price of the shares on the ASX is $0.35 or greater on five consecutive trading days.
(xii) Vests within four years from date of grant if the closing price of the shares on the ASX is $0.50 or greater on five consecutive trading days.

The following table summarises the grants of share-based payment instruments (performance rights) made to executive officers in the current financial year.

Name	Grant date	Number granted	Number vested	% of grant vested	% of grant forfeited
Mr D Wrench	30 October 2014	11,000,000	-	-	-
Mr D Baker	30 October 2014	5,500,000	-	-	-
Mr C Thompson	30 October 2014	5,000,000	-	-	-
Mr S McGuinness	30 October 2014	4,500,000	-	-	-

The value of performance rights granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

The following table summarises the value of share-based payments exercised or lapsed during the current financial year.

Name	Number of instruments	Fair value of instruments at grant date(i) $	Exercise price of instrument $	Value of instruments exercised at the exercise price $	Value of instruments lapsed at the date of lapse(ii) $
Nil					

(i) The value of share options and performance rights granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.
(ii) The value of share options and performance rights lapsed during the period due to options and performance rights expiring at the end of their 3 year term and share price has been below the exercise price or the failure to satisfy vesting conditions.

Directors' Report – Remuneration Report (audited)

Key management personnel equity holdings

	Balance at 1 July 2014	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2015	Balance held nominally
Mr M Carnegie	64,836,456	-	-	-	64,836,456	-
Mr S Ashton	9,949,382	-	-	-	9,949,382	-
Ms J Rowe	-	-	-	792,913	792,913	-
Mr B Ostwald	1,668,330	-	-	300,000	1,968,330	-
Mr D Wrench	1,036,919	-	-	1,950,000	2,986,919	-
Mr D Baker	3,500,000	-	-	2,000,000	5,500,000	-
Mr C Thompson	-	-	-	-	-	-
Mr S McGuinness	633,960	-	-	799,124	1,433,084	-
Total	**81,625,047**	**-**	**-**	5,842,037	**87,467,084**	**-**

Key terms of employment contracts as at date of report

Mr D Wrench, Managing Director

Term of agreement – no fixed term.

Total fixed remuneration – Salary inclusive of superannuation of $462,774 effective 1 July 2015.

Variable remuneration - Eligibility to be considered for an annual incentive award of up to 100% of his Total fixed remuneration as determined by the Board.

Termination notice periods – By either party on 3 months' notice, or by the Company on summary notice for cause, or by Mr Wrench on summary notice for redundancy where there is or will be a material reduction in Mr Wrench's authority, status or responsibilities or where Mr Wrench ceases to report to the Board.

Termination payments – Payment of accrued but unpaid remuneration and leave entitlements as at termination, payment in lieu of any notice period (if the Company so elects), payment of an amount equal to 12 months of his Total fixed remuneration less applicable tax in circumstances where Mr Wrench terminates for redundancy (which is inclusive of payment in lieu of a notice period and any statutory redundancy pay). Mr Wrench is also entitled to payment on satisfactory completion of a maximum 6 month non-compete period following termination of employment of an amount calculated by reference to his Total fixed remuneration as at the termination date for the relevant restraint period.

Mr C Thompson, Chief Operating Officer

Term of agreement – no fixed term

Total fixed remuneration – Salary inclusive of superannuation of $395,514 effective 1 July 2015.

Variable remuneration - Eligibility to be considered for an annual incentive award of up to 100% of his Total fixed remuneration as determined by the Board.

Termination notice periods – By either party on 3 months' notice, or by the Company on summary notice for cause, or by Mr Thompson on summary notice for redundancy where there is or will be a material reduction in Mr Thompson's authority, status or responsibilities or where Mr Thompson ceases to report directly to the Managing Director.

Termination payments – Payment of accrued but unpaid remuneration and leave entitlements as at termination, payment in lieu of any notice period (if the Company so elects), payment of an amount equal to 12 months of his Total fixed remuneration less applicable tax in circumstances where Mr Thompson terminates for redundancy (which is inclusive of payment in lieu of a notice period and any statutory redundancy pay). Mr Thompson is also entitled to payment on satisfactory completion of a maximum 6 month non-compete period following termination of employment of an amount calculated by reference to his Total fixed remuneration as at the termination date for the relevant restraint period.

Mr S McGuinness, Chief Financial Officer & Company Secretary

Term of agreement – no fixed term

Total fixed remuneration – Salary inclusive of superannuation of $331,990 effective 1 July 2015.

Variable remuneration - Eligibility to be considered for an annual incentive award of up to 100% of his Total fixed remuneration as determined by the Board.

Termination notice periods – By either party on 3 months' notice, or by the Company on summary notice for cause, or by Mr McGuinness on summary notice for redundancy where there is or will be a material reduction in Mr McGuinness' authority, status or responsibilities or where Mr McGuinness ceases to report directly to the Managing Director.

Termination payments – Payment of accrued but unpaid remuneration and leave entitlements as at termination, payment in lieu of any notice period (if the Company so elects), payment of an amount equal to 12 months of his Total fixed remuneration less applicable tax in circumstances where Mr McGuinness terminates for redundancy (which is inclusive of payment in lieu of a notice period and any statutory redundancy pay). Mr McGuinness is also entitled to payment on satisfactory completion of a maximum 6 month non-compete period following termination of employment of an amount calculated by reference to his Total fixed remuneration as at the termination date for the relevant restraint period.

Directors' Report – Remuneration Report (audited)

Mr D Baker, Executive Director Commercial

The executive services of Mr D Baker are provided by him on behalf of Ben Buckler House Pty Ltd, an advisory entity controlled by Mr Baker and engaged by the Company to provide those services. The key terms of the consultancy agreement are as follows:

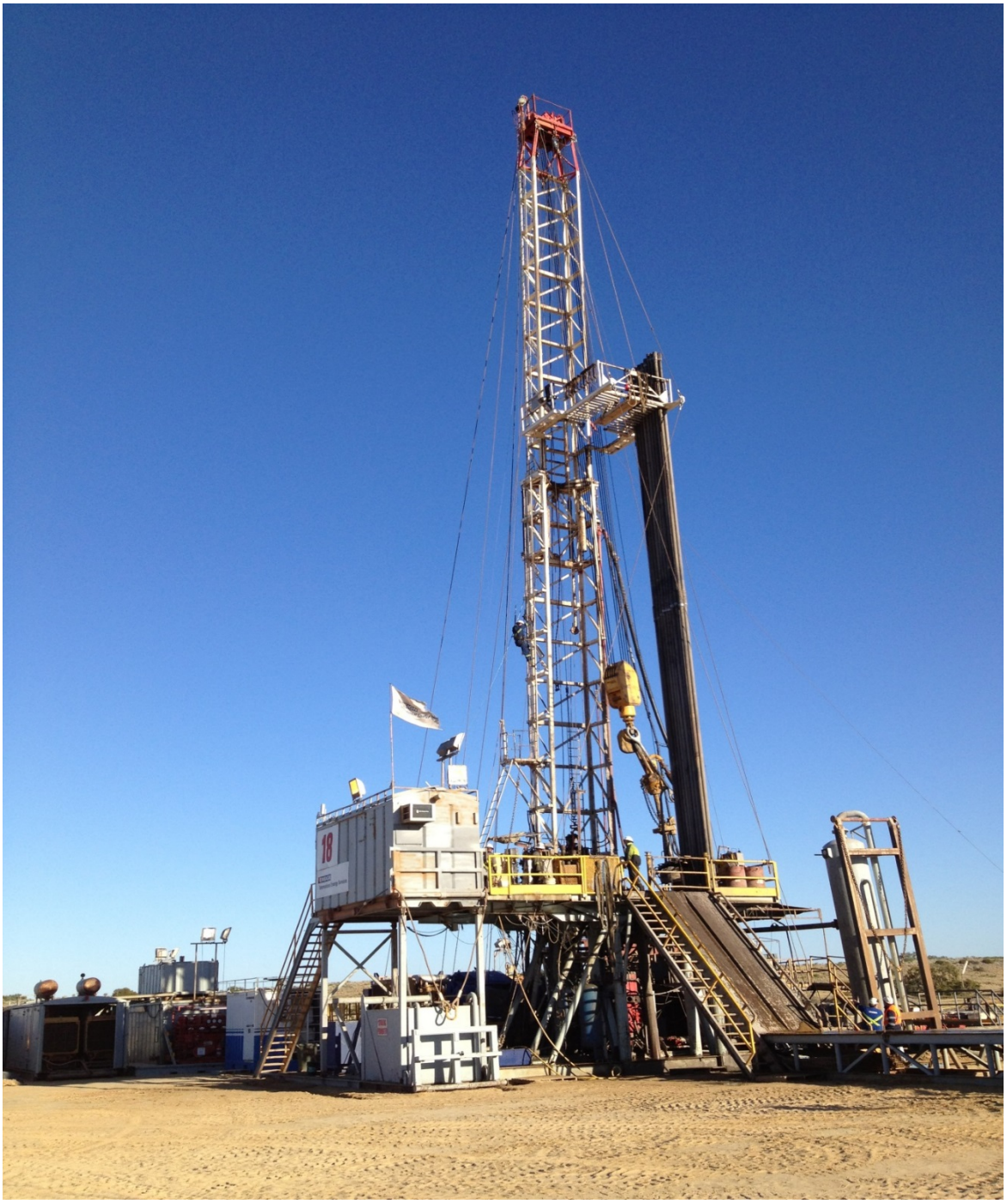
Term of agreement - rolling 12 month term unless terminated at least 3 months prior to the expiry of the then current term.

Fee – $1,450 per day plus 10% GST and payable in each calendar month in which services are provided.

Variable fee – at the Board's discretion.

Termination notice periods – By either party on 3 months' notice, or by the Company on summary notice for cause, or by the Contractor on summary notice where there is or will be a material reduction in the scope of the services.

Termination payments – Payment of outstanding consulting fees as at termination and payment of an amount equal to 12 months of Contractor fees in circumstances where the Contractor terminates for a material reduction in the scope of services.



Directors' Report

Shares under option or performance rights

Details of unissued shares or interests under options or performance rights as at the date of this report are:

Instrument/Grant date	Expiry date	Exercise price of instrument	Number
Options - 18 November 2011 (ii)	18 November 2016	$0.20	4,000,000
Options - 18 November 2011(iii)	18 November 2016	$0.20	3,000,000
Options - 18 November 2011(iv)	18 November 2018	$0.20	3,000,000
Options - 1 November 2012(vi)	1 November 2015	$0.20	500,000
Options - 1 November 2012(i)	1 November 2017	$0.20	500,000
Options - 1 November 2012(v)	1 November 2017	$0.20	500,000
Options - 10 April 2013(xiii)	10 April 2018	$0.18	100,000
Options - 10 April 2013(xiv)	10 April 2018	$0.18	100,000
Performance rights – 14 May 2014 (vii)	14 May 2016	Nil	566,667
Performance rights – 14 May 2014 (viii)	14 May 2016	Nil	566,667
Performance rights – 14 May 2014 (ix)	14 May 2016	Nil	566,666
Performance rights – 30 Oct 2014 (x)	30 October 2018	Nil	8,983,335
Performance rights – 30 Oct 2014 (xi)	30 October 2018	Nil	8,983,334
Performance rights – 30 Oct 2014 (xii)	30 October 2018	Nil	8,983,331
			40,350,000

(i) Vests at grant date.
(ii) Vests 50% at 12 months from date of grant, 50% at 24 months from date of grant.
(iii) Vests after two years but within 5 years from the date of grant and when the closing price of the shares on the ASX is $0.35 or greater on five consecutive trading days.
(iv) Vests after two years but within 5 years from the date of grant and when the closing price of the shares on the ASX is $0.80 or greater on five consecutive trading days.
(v) Vests one year from date of grant.
(vi) Vests two years from date of grant.
(vii) Vests within two years from date of grant if the closing price of the shares on the ASX is $0.20 or greater on five consecutive trading days.
(viii) Vests within two years from date of grant if the closing price of the shares on the ASX is $0.35 or greater on five consecutive trading days.
(ix) Vests within two years from date of grant if the closing price of the shares on the ASX is $0.50 or greater on five consecutive trading days.
(x) Vests within four years from date of grant if the closing price of the shares on the ASX is $0.20 or greater on five consecutive trading days.
(xi) Vests within four years from date of grant if the closing price of the shares on the ASX is $0.35 or greater on five consecutive trading days.
(xii) Vests within four years from date of grant if the closing price of the shares on the ASX is $0.50 or greater on five consecutive trading days.
(xiii) Vests one year from date of grant.
(xiv) Vests two years from date of grant.

The holders of options and performance rights do not have any rights, by virtue of these instruments, to participate in any share issues or interest issue of the Company or of any other body corporate or registered scheme.

There have been no shares issued during the year ended or since 30 June 2015 as a result of the exercise of options or performance rights.

Indemnification of officers and auditors

During the financial year, the Company paid premiums in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a Director, Company Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

Dividends

In respect of the financial year ended 30 June 2015, the Directors recommend no payment of a dividend to the holders of fully paid ordinary shares at this time.

In respect of the financial year ended 30 June 2014, no dividend was paid to the holders of fully paid ordinary shares.

Corporate Governance Statement

A copy of the Company's Corporate Governance Statement is available at http://www.strikeenergy.com.au/about-strike-energy/corporate-governance/

Directors' Report

Subsequent events

On 21 September 2015, the Group received final confirmation and payment of the $8.5 million refund from the Australian Taxation Office (ATO) relating to the eligible research and development (R&D) expenditure incurred during the year ended 30 June 2015. In connection with this receipt, the Group repaid the $5.9 million outstanding under the terms of the Macquarie Facility while also entering into an amendment to extend the facility for a further twelve month period and to allow for incremental new drawdowns of up to $4.0 million.

With the exception of the above, there have been no other events subsequent to 30 June 2015 that would require accrual or disclosure in the consolidated financial statements.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



David Wrench

Managing Director

Sydney, New South Wales

21 September 2015

Auditor's Independence Declaration

Deloitte.

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

21 September 2015

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 audit of the financial statements of Strike Energy Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

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

Independent Auditor's Report

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Independent Auditor's Report to the members of Strike Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Strike Energy Limited , which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 69.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Strike Energy Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13-18 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Strike Energy Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 21 September 2015

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;

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 Company and the Consolidated Entity;

c) In the Directors' opinion, the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2; and

d) The Directors have been given the declarations required by s.295A of the Corporations Act.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



David Wrench

Managing Director

Sydney, New South Wales

21 September 2015

Consolidated Statement of Comprehensive Income

For the year ended

$'000	*Note*	30 June 2015	30 June 2014
Revenue from oil and gas sales	7(a)	2,696	4,268
Cost of sales	7(b)	(1,704)	(1,825)
Gross profit		**992**	**2,443**
Other income	7(c)	7,016	2,510
Corporate expenses		(465)	(894)
Amortisation and depreciation	7(d)	(1,276)	(1,557)
Employment benefits expense		(3,027)	(2,478)
Exploration, evaluation and production assets impairment	15,16	(16,910)	(21,773)
Other expenses	7(e)	(2,213)	(2,995)
Loss from operating activities		**(15,883)**	**(24,744)**
Financial income	8	7,184	313
Financial expenses	8	(1,026)	(1,748)
Net financial income/(expenses)		**6,158**	**(1,435)**
Loss before income tax		**(9,725)**	**(26,179)**
Income tax benefit/(expense)	9	-	-
Loss for the period		**(9,725)**	**(26,179)**
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(5,377)	460
Other comprehensive income/(loss) for the period, net of income tax		**(5,377)**	**460**
Total comprehensive income/(loss) for the period		**(15,102)**	**(25,719)**
Total comprehensive income/(loss) attributable to owners of the Company		**(15,102)**	**(25,719)**
Loss per share			
- Basic (cents per share)	23	(1.17)	(3.59)
- Diluted (cents per share)	23	(1.17)	(3.59)

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

Consolidated Statement of Financial Position

As at

$'000	*Note*	30 June 2015	30 June 2014
Cash and cash equivalents	11	11,694	10,624
Assets classified as held for sale	12	-	4,918
Trade and other receivables	13	421	797
Other financial assets	14	76	218
Total current assets		**12,191**	**16,557**
Other financial assets	14	320	318
Exploration and evaluation assets	15	43,693	38,153
Oil and gas production assets	16	1,233	2,859
Property, plant and equipment	17	82	117
Total non-current assets		**45,328**	**41,447**
Total assets		**57,519**	**58,004**
Trade and other payables	18	(2,875)	(4,140)
Employee benefits	19	(82)	(66)
Income tax	9	-	-
Provisions	20	(54)	(117)
Borrowings	21	(6,783)	(1,481)
Total current liabilities		**(9,794)**	**(5,804)**
Trade and other payables	18	-	-
Employee benefits	19	(33)	(32)
Derivatives		(19)	(39)
Provisions	20	(273)	(298)
Borrowings	21	(4,995)	(4,737)
Other	22	(12,100)	(2,200)
Total non-current liabilities		**(17,420)**	**(7,306)**
Total liabilities		**(27,214)**	**(13,110)**
Net assets		**30,305**	**44,894**
Equity			
Issued capital	23	121,806	121,806
Reserves		(6,137)	(1,273)
Accumulated losses		(85,364)	(75,639)
Total equity		**30,305**	**44,894**

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

Consolidated Statement of Changes in Equity

For the year ended

$'000	Issued Capital	Share-based payments reserve	Foreign exchange translation reserve	Total Reserves	Accumulated losses	Total Equity
Balance at 1 July 2013	**98,480**	**4,061**	**(5,946)**	**(1,885)**	**(49,460)**	**47,135**
Exchange differences arising on translation of foreign operations	-	-	460	460	-	460
Loss for the period	-	-	-	-	(26,179)	(26,179)
Total comprehensive income/(loss) for the period	**-**	**-**	**460**	**460**	**(26,179)**	**(25,719)**
Recognition of share-based payments	-	152	-	152	-	152
Issue of ordinary shares during the period	24,418	-	-	-	-	24,418
Share issue costs	(1,092)	-	-	-	-	(1,092)
Balance at 30 June 2014	**121,806**	**4,213**	**(5,486)**	**(1,273)**	**(75,639)**	**44,894**
Balance at 1 July 2014	**121,806**	**4,213**	**(5,486)**	**(1,273)**	**(75,639)**	**44,894**
Exchange differences arising on translation of foreign operations	-	-	(5,377)	(5,377)	-	(5,377)
Loss for the period	-	-	-	-	(9,725)	(9,725)
Total comprehensive income/(loss) for the period	**-**	**-**	**(5,377)**	**(5,377)**	**(9,725)**	**(15,102)**
Recognition of share-based payments	-	513	-	513	-	513
Issue of ordinary shares during the period	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
Balance at 30 June 2015	**121,806**	**4,726**	**(10,863)**	**(6,137)**	**(85,364)**	**30,305**

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

Consolidated Statement of Cash Flows

For the year ended

$'000	30 June 2015	30 June 2014
Cash flows from operating activities		
Receipts from customers	13,811	6,697
R&D refund	5,750	532
Net receipts from joint venture recoveries	396	370
Payments to suppliers and employees	(7,145)	(7,532)
Net cash provided by operating activities	**12,812**	**67**
Cash flows from investing activities		
Payments for exploration, evaluation expenditure and oil and gas production assets	(20,878)	(17,024)
Refund of security deposits	-	15
Payment of security deposits	-	(40)
Advances made to JV Participants	-	(1,063)
Repayment of advances made to JV Participants	-	1,063
Proceeds from assets held for sale	5,032	-
Proceeds from sale of property, plant and equipment	-	2
Payments for property, plant and equipment	(13)	(33)
Net cash used in investing activities	**(15,859)**	**(17,080)**
Cash flows from financing activities		
Proceeds from issue of equity instruments of the Company	-	24,418
Payment of share issue costs	-	(1,092)
Proceeds from borrowings	5,872	7,814
Repayment of borrowings	(1,043)	(4,119)
Interest received	201	241
Interest paid	(1,047)	(1,035)
Net cash provided by financing activities	**3,983**	**26,227**
Net increase in cash and cash equivalents	**936**	**9,214**
Cash and cash equivalents at the beginning of the period	**10,624**	**1,408**
Effects of exchange rate changes on the balance of cash held in foreign currencies	134	2
Cash and cash equivalents at the end of the period	**11,694**	**10,624**

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

Consolidated Statement of Cash flows (continued)

For the year ended

Reconciliation of the Loss for the year with the net cash provided by operating activities

$'000	30 June 2015	30 June 2014
Loss for the year	(9,725)	(26,179)
Adjustments for:		
Depreciation and amortisation	1,276	1,557
Share-based payments expense	513	152
Loss on sale of property, plant and equipment	2	200
Impairment loss on exploration and evaluation expenditure	15,304	14,258
Impairment loss on oil and gas production assets	1,606	7,515
Net financial (income)/expenses	(6,158)	1,435
Non-cash related cost recoveries	(832)	(966)
Impairment loss on gas transmission rights	808	-
Change in trade and other receivables	(463)	194
Change in trade and other payables	707	(318)
Change in provisions and employee benefits	(126)	19
Change in other liabilities (unearned revenue)	9,900	2,200
Net cash provided by operating activities	**12,812**	**67**

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

Notes to the Financial Statements

1. Reporting entity

Strike Energy Limited (the "Company" or "Strike") 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 financial report of Strike as at and for the year ended 30 June 2015 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates, joint ventures and joint operations.

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

The address of the registered office of the Company is 120B Underwood Street, Paddington, NSW, 2021, Australia.

2. Basis of presentation

2.1 Statement of compliance

The financial report is a general purpose financial report and has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The financial report also complies with International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial report was approved by the Board of Directors (the "Directors") on 21 September 2015.

2.2 Going concern

The financial report has been prepared using the going concern assumption.

2.3 Basis of measurement

The financial report has been prepared under the historical cost convention except derivatives which are measured at fair value. The methods used to measure fair values are discussed further in note 5.

Information as disclosed in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the current year is for the 12 month period ended 30 June 2015. Information for the comparative year is for the 12 month period ended 30 June 2014.

2.4 Presentation currency

The financial report of the Company and the Group is presented in Australian Dollars ("AUD"), which is both the Company's and the Group's presentation currency.

2.5 Rounding of amounts

The Company and Group 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 financial report have been rounded off in accordance with the Class Order relief to the nearest thousand dollars, or in certain cases, the nearest dollar.

2.6 Use of estimates and judgements

The preparation of this financial report 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both the current and future years.

Information about the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most material effect on the amounts recognised in the financial report are described in note 4.

2.7 Reclassification of comparative information

Certain elements of the information presented for comparative purposes have been revised to conform to the current year presentation.

Notes to the Financial Statements

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in this financial report and have been applied consistently by all Group entities.

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Company or the Group. Control is achieved when the Company or the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This is achieved when the Company or the Group:

- has power over an investment;
- is exposed to or has rights to variable returns in an investment; and
- has the ability to use its power to affect its returns.

In assessing control, potential voting rights that are presently exercisable are taken into account. Control is required to be assessed where changes in circumstances require a reassessment of the above factors. The financial statements of controlled investments are included in the financial report of the Group from the date control (or effective control) commences until the date that control (or effective control) ceases.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, including the fair value of any contingent consideration and share-based payment awards (as measured in accordance with AASB 2 Share Based Payment) of the acquiree that are mandatorily replaced as a result of the transaction. Transaction costs that the Group incurs in connection with an acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, irrespective of the extent of any non-controlling interests. Non-controlling interests are initially recognised at their proportionate share of the fair value of the net assets acquired.

During the measurement year, an acquirer can report provisional information for a business combination if by the end of the reporting year in which the combination occurs the accounting is incomplete. The measurement year, however, ends at the earlier of when the acquirer has received all of the necessary information to determine the fair values or one year from the date of the acquisition.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss component of the statement of comprehensive income and is calculated as the difference between the aggregate fair value of the consideration received and the fair value of the retained interest compared to the previous value of the net assets (adjusted for non-controlling interests). All amounts previously recognised in other comprehensive income in relation to that investment are accounted for as if the Group had disposed of the investment. Any residual interest in the investment retained is initially fair valued.

(b) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies (generally accompanying a shareholding of between 20% and 50% of the voting rights). Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Investments in associates include goodwill identified on acquisition, net of accumulated impairment losses (if any).

The Group's share of its associates post-acquisition profits or losses and movements in other comprehensive income is recognised in the Group's statement of comprehensive income (after adjustments (as required) are made to align the accounting policies of the associate with those of the Group). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has a financial obligation or has made payments on behalf of the investee.

(c) Joint arrangements

Joint arrangements are those operations or assets in which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Interests in joint venture

operations that are considered not to be under joint control are accounted for either as subsidiaries and consolidated or associates and accounted for under the equity method of accounting.

Interests in jointly controlled assets and operations are reported in the financial report by including the Group's proportionate share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture and the share of any revenue or expenses earned or incurred in relation to the joint venture in their respective classification categories.

(d) Transactions eliminated on consolidation

Intra-group balances and unrealised items of income and expense arising from intra-group transactions are eliminated in preparing the financial report. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same manner as gains, but only to the extent that there is no evidence of impairment.

(e) Transactions and non-controlling interests

The Group accounts for transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(f) Transactions between entities under common control

Common control transactions arise between entities that are under the ultimate ownership of the Company.

Certain transactions between entities that are under common control may not be transacted on an arm's length basis. Accordingly any gains or losses on these types of transactions are recognised directly in equity. Examples of such transactions include but are not limited to:

- debt forgiveness transactions;
- transfer of assets for greater than or less than fair value; and
- acquisition or disposal of subsidiaries for no consideration or consideration greater than or less than fair value.

3.2 Foreign currency

(a) Functional and presentation currency

Items included in the financial report of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the respective entities at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency of the respective entities at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency of the respective entities at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income as a component of the profit or loss, except for differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation (see (c) further).

(c) Foreign operations

The results and financial position of those entities that have a functional currency different from the presentation currency of the Group are translated into the Group's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date of the statement of financial position;
- income and expense items for each profit or loss item are translated at average exchange rates;
- items of other comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments are recognised as a component of equity and included in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as a component of the profit or loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated on this basis.

(d) Changes in functional currency

Any change in a Group company's functional currency is applied prospectively from the date of the change. All items are translated into the new functional currency using the exchange rate at the date of the change. The resultant translated amounts for non-monetary items are thereafter treated as their historical cost.

3.3 Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, receivables, available for sale financial assets, trade and other payables, interest bearing borrowings and compound instruments.

A non-derivative financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Non-derivative financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Non-derivative financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described further.

Non-derivative financial instruments are recognised on a gross basis unless a current and legally enforceable right to off-set exists and the Group intends to either settle the instrument net or realise the asset and liability simultaneously.

Upon initial acquisition the Group classifies its financial instruments in one of the following categories, which is dependent on the purpose for which the financial instruments were acquired.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, restricted cash and other short-term highly liquid investments with maturities of less than three months. Bank overdrafts are included within borrowings and are classified as current liabilities on the statement of financial position except where these are repayable on demand, in which case they are included separately as a component of current liabilities. In the statement of cash flows, overdrafts are included as a component of cash and cash equivalents.

(b) Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on the instrument's fair value. Upon initial recognition (at the trade date) attributable transaction costs are recognised in the statement of comprehensive income as a component of the profit or loss. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of comprehensive income as a component of the profit or loss.

Notes to the Financial Statements

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for instruments with maturities greater than 12 months from the reporting date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables (including related party receivables) which are stated at their cost less impairment losses.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest over the relevant years. The effective interest method results in an interest rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or, where appropriate, a shorter period to the net amount of the financial instrument.

(e) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are measured at fair value on initial recognition plus transaction costs. Subsequent to initial recognition, the assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income as a component of the profit or loss.

(f) Other liabilities

Other liabilities comprise all non-derivative financial liabilities that are not disclosed as liabilities at fair value through profit or loss. Other liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The Group's other liabilities comprise trade and other payables and interest bearing borrowings, including compound instruments and those with related parties. The Group's other liabilities are measured as follows:

(i) Trade and other payables

Subsequent to initial recognition, trade and other payables are stated at amortised cost using the effective interest method.

(ii) Interest bearing borrowings including related party borrowings

Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method.

3.4 Derivative financial instruments

A derivative financial instrument is recognised if the Group becomes a party to the contractual provisions of an instrument at the trade date.

Derivative financial instruments are initially recognised at fair value (which includes, where applicable, consideration of credit risk), with transaction costs being expensed as incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised in the statement of comprehensive income as a component of the profit or loss unless the derivative financial instruments qualify for hedge accounting. Where a derivative financial instrument qualifies for hedge accounting, recognition of any resulting gain or loss depends on the nature of the hedging relationship (see further). Derivative financial instruments are recognised on a gross basis unless a current and legally enforceable right to off-set exists.

Derivative financial assets are derecognised if the Group's contractual right to the cash flows from the instrument expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset.

Notes to the Financial Statements

(a) Cash flow hedges

Changes in the fair value of a derivative financial instrument designated as a cash flow hedge are recognised directly in equity as a component of other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of comprehensive income as a component of the profit or loss for the year.

If a hedging instrument no longer meets the criteria for hedge accounting or it expires, is sold, terminated or exercised, then hedge accounting is discontinued prospectively. At this point in time, the cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In all other cases the amount recognised in equity is transferred within the statement of comprehensive income in the same year that the hedged item affects this statement and is recognised as part of financial income or expenses. If the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred within the statement of comprehensive income and is recognised as part of financial income or expenses in the profit or loss.

(b) Fair value hedges

Changes in the fair value of a derivative financial instrument designated as a fair value hedge are recognised in the statement of comprehensive income as a component of the profit or loss in financial income or expenses together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(c) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the following conditions are met:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value through profit or loss.

At the time of initial recognition of the embedded derivative an equal adjustment is also recognised against the host contract. The adjustment against the host contract is amortised over the remaining life of the host contract using the effective interest method.

Any embedded derivatives that are separated are measured at fair value with changes in fair value recognised through net financial expense in the statement of comprehensive income as a component of the profit or loss.

3.5 Inventories

(a) Raw materials, work in progress and finished goods

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based either on the first in first out ("FIFO") or weighted average principles and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured or refined inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory expected to be sold or consumed within the next 12 months is classified as current, with amounts expected to be consumed or sold after this time being classified as non-current.

(b) Maintenance materials

Maintenance materials (representing either critical or long order spares) are measured at the lower of cost and net realisable value. The cost of these inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is determined with reference to the cost of replacement of such items in the ordinary course of business compared to the current market prices.

Notes to the Financial Statements

3.6 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (if any).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of property, plant and equipment acquired in a business combination is determined by reference to its fair value at the date of acquisition. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the cost of that equipment.

(b) Assets under construction

Assets under construction are transferred to the appropriate asset category when they are ready for their intended use. Assets under construction are not depreciated but tested for impairment at least annually or when there is an indication of impairment.

(c) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an item of property, plant and equipment are capitalised until such time as the assets are substantially ready for their intended use. The interest rate used equates to the effective interest on debt where general borrowings are used or the relevant interest rate where specific borrowings are used to finance the construction.

(d) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as a component of the profit or loss as incurred.

(e) Depreciation

Depreciation is recognised in the statement of comprehensive income as a component of the profit or loss or capitalised as a component of inventory in the statement of financial position (which is subsequently released to the profit or loss through the cost of goods sold on the sale of the underlying product) using a method that reflects the pattern in which the economic benefits embodied within the asset are consumed. Generally this is on either a straight-line or diminishing value basis that reflects the estimated useful life of each part or component of an item of property, plant and equipment.

The estimated useful lives for the material classes of property, plant and equipment are as follows:

Leasehold improvements	1 - 5 years	Furniture and fittings	5 – 15 years
Plant and equipment	5 – 15 years	Computer equipment	2 – 5 years
Assets under finance lease	4 years		

Depreciation methods, useful lives and residual values are reassessed on an annual basis. Gains and losses on the disposal of items of property, plant and equipment are determined by comparing the proceeds (if any) at the time of disposal with the net carrying amount of the asset.

3.7 Exploration, evaluation and development expenditure

(a) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Exploration and evaluation expenditure includes:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the hydrocarbon resource;

- surveying transportation and infrastructure requirements;
- conducting market and finance studies;
- administration costs that are directly attributable to a specific exploration area; and
- licensing costs.

These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest, or where activities in the area have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Upon technical feasibility and commercial viability of an area of interest, capitalised exploration and evaluation expenditure for that area of interest is tested for impairment and the balance is transferred from exploration and evaluation expenditure to oil and gas production assets.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area of interest are written off in full in the statement of comprehensive income as a component of the profit or loss in the period in which the decision to abandon the area is made.

(b) Oil and Gas production assets

Once an area of interest has been established as commercially viable and technically feasible, expenditure other than that relating to non-operational land, buildings and plant and equipment is capitalised as Oil and Gas production assets. Oil and Gas production assets include previously capitalised exploration and evaluation expenditure, pre-production development expenditure and other directly related subsurface and surface expenditure pertaining to the area of interest.

Oil and Gas production assets are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercially viable or technically feasible, any accumulated costs in respect of that area are written off in full in the statement of comprehensive income as a component of the profit or loss in the period in which the decision to abandon the area is made to the extent that they will not be recoverable in the future.

Oil and Gas production assets are assessed for impairment if the facts and circumstance suggest that the carrying amount exceed the recoverable amount. For the purpose of impairment testing, Oil and Gas production assets are allocated to the cash-generating units ("CGUs") based on geographical location.

(c) Amortisation of Oil and Gas production assets

Amortisation of Oil and Gas production assets is recognised either in the statement of comprehensive income as a component of the profit or loss or capitalised as a component of inventory in the statement of financial position (which is subsequently released to the profit or loss through the cost of goods sold on the sale of the underlying product) on a units of production basis which aims to recognise cost proportionally to the depletion of the economically proved developed and undeveloped recoverable reserves. Costs are amortised from the commencement of commercial production.

3.8 Impairment

The carrying amounts of the Group's assets are reviewed regularly and at least annually to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income as a component of the profit or loss.

(a) Impairment of loans and receivables and held-to-maturity financial assets

The recoverable amount of the Group's loans and receivables and held-to-maturity financial assets carried at amortised cost is calculated with reference to the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at the date of initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on individual instruments that are considered significant are determined on an individual basis through an evaluation of the specific instruments' exposures. For trade receivables which are not significant on an individual basis, impairment is assessed on a portfolio basis taking into consideration the number of days overdue and the historical loss experiences on a portfolio with a similar number of days overdue.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in respect of interest or principal repayment; or
- observable data indicating that there is a measureable decrease in the estimated future cash flows from a portfolio.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at least annually to determine whether there is any indication of impairment. If any such indicators exist then the asset or CGU's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amounts are estimated at least annually and whenever there is an indication that they may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income as a component of the profit or loss. Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other non-financial assets in the CGU on a pro-rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In assessing the fair value less cost to sell, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include a discounted future cash flow analysis and adjusted EBITDA (forecasted) multiplied by a relevant market indexed multiple.

In respect of assets other than goodwill, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's revised carrying amount will not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Assets and liabilities classified as held for sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal groups) are measured at the lower of their carrying amount or fair value less costs to sell. Upon reclassification the Group ceases to depreciate or amortise non-current assets classified as held for sale. Any impairment loss on a disposal group is first allocated to goodwill and then to the remaining assets on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses incurred on the initial classification as being held for sale and subsequent gains or losses on re-measurement are recognised in the statement of comprehensive income as a component of the profit or loss. Gains are not recognised in excess of any prior cumulative impairment loss.

3.10 Employee benefits

(a) Pension and superannuation obligations

A defined contribution superannuation plan is a plan under which the employee and the Group pay fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions in relation to an employee's service in the current and prior years. The contributions are recognised in the statement of comprehensive income as a component of the profit or loss as and when they fall due.

(b) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed in the statement of comprehensive income as a component of the profit or loss as the related services are provided. A provision is recognised for the amount expected to be paid under short-term cash bonus plans and outstanding annual leave balances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(c) Other long-term employee benefits

The liability for long service leave for which settlement can be deferred beyond 12 months from the balance date is measured as the present value of expected future payments to be made in respect of services provided by employees. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(d) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

(e) Incentive compensation plans

The Group recognises a liability and associated expense for incentive compensation plans based on a formula that takes into consideration certain threshold targets and the associated measures of profitability. The Group recognises a provision when it is contractually obligated or when there is a past practice that has created a constructive obligation to its employees.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision for the passage of time is recognised as a financial expense in the statement of comprehensive income as a component of the profit or loss.

(a) Business closure and rationalisation

A provision for business closure and rationalisation is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

(b) Rehabilitation

The oil and gas production activities of the Group give rise to obligations for asset and site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognised at the time that the environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as a component of the Group's Oil and Gas production assets representing part of the cost of acquiring the future economic benefits of the operation. Amounts capitalised are amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each balance sheet date with the costs recognised in the statement of comprehensive income as a component of the profit or loss in line with the remaining future cash flows.

At each reporting date the rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, changes to the estimated lives of the associated operational assets, new regulatory requirements and revisions to discount rates. Changes to the rehabilitation liability are added or deducted from the related rehabilitation asset and amortised accordingly.

3.12 Royalties

Royalties are treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described in note 3.19(a) for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included as part of the cost of goods sold in the statement of comprehensive income as a component of profit or loss.

3.13 Dividends

Dividends to the Group's shareholders are recognised as a liability in the Group's statement of financial position in the period in which the dividends are declared.

3.14 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where equity instruments are reacquired by the Group, for example, as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the statement of comprehensive income and the consideration paid including any directly attributable incremental costs (net of income taxes) is directly recognised in equity.

3.15 Share-based payment

Share-based remuneration benefits are provided to employees via a variety of schemes which are further set out in note 23.

The fair values of the options or performance rights granted under these various schemes are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the options or performance rights.

The fair value at grant date is independently determined using a pricing model that takes into account the exercise price, the term of the instrument, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

The fair value of the options and performance rights granted is measured to reflect the expected market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and production targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the Group revises its estimates of the number of options and performance that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income as a component of profit or loss, with a corresponding adjustment to equity.

3.16 Revenue

(a) Oil and gas sales

Revenue from oil and gas sales is measured at the fair value of the consideration received or receivable net of volume rebates and other customer incentives. Revenue is recognised when the significant risks and rewards of ownership have been substantially transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Notes to the Financial Statements

(b) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for an item which is to be expensed are recognised in the statement of comprehensive income on a systematic basis in the same years in which the expenses are recognised or, for expenses already incurred the grants are recognised in the year in which they become receivable. Grants that compensate the Group for the cost of purchasing, constructing or otherwise acquiring a long-term asset are recognised as a reduction in the cost of that asset and included in the statement of comprehensive income as a component of depreciation expense in accordance with the Group's depreciation policy.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Royalties

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

3.17 Lease payments

Minimum lease payments made under finance leases are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges which are recognised in the statement of comprehensive income as a component of the profit or loss are allocated to each year during the lease term so as to produce a constant rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for in the years in which the payments are incurred.

Payments made under operating leases are recognised in the statement of comprehensive income as a component of the profit or loss on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent lease payments arising under operating leases are recognised as an expense in the year in which the payments are incurred.

In the event that lease incentives are received to enter into an operating lease, such incentives are deferred and recognised as a liability. The aggregated benefits of the lease incentives are recognised as a reduction to the lease expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.18 Financial income and expenses

Financial income comprises interest income, foreign currency gains and gains on derivative financial instruments in respect of financing activities that are recognised in the statement of comprehensive income as a component of the profit or loss. Interest income is recognised as it accrues using the effective interest method.

Financial expenses comprise interest expense, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables) and losses in respect of financing activities on derivative instruments that are recognised in the statement of comprehensive income as a component of the profit or loss. All borrowing costs not qualifying for capitalisation are recognised in the statement of comprehensive income as a component of the profit or loss using the effective interest method.

3.19 Income tax

(a) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income as a component of the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised with the associated items on a net basis.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method of providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial

recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time the liability to pay the related dividend is recognised. Deferred income tax assets and liabilities in the same jurisdiction are offset in the statement of financial position only to the extent that there is a legally enforceable right to offset current tax assets and current tax liabilities and the deferred balances relate to taxes levied by the same taxing authority and are expected either to be settled on a net basis or realised simultaneously.

(b) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2013 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Strike Energy Limited. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Entities within the tax-consolidated group have entered into a tax sharing agreement and funding with the Company. The tax sharing and funding agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the Company default on its tax payment obligations or if an entity should leave the tax-consolidated group.

The effect of the tax sharing and funding agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

3.20 Sales tax, value added tax and goods and services tax

All amounts (including cash flows) are shown exclusive of sales tax, value added tax ("VAT") and goods and services tax ("GST") to the extent the taxes are reclaimable, except for receivables and payables that are stated inclusive of sales tax, VAT and GST.

3.21 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor – finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases.

(b) The Group as lessee – finance leases

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included within loans and borrowings as a finance lease obligation. Subsequent to initial recognition the liability is accounted for in accordance with the accounting policy described at note 3.3(f) and the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Notes to the Financial Statements

(b) Diluted earnings per share

Diluted earnings per share adjusts the amount used in the determination of the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share from continuing operations.

3.23 Segment reporting

The Group's operating segments are 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.

3.24 Company entity financial information

The financial information for the Company entity as disclosed in note 25 has been prepared on the same basis as that applied by the Group, except as set out below:

(a) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial information of the Company. Dividends received from associates are recognised in the statement of comprehensive income as a component of profit or loss, rather than being deducted from the carrying amount of these investments.

(b) Effect of tax consolidation

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group, are accounted for by the Company rather than by the members of the tax-consolidated group themselves.

3.25 New and revised standards and interpretations

(a) Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore relevant for the current year end.

- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities',
- Interpretation 21 'Levies',
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets',
- AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
- AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality).

The initial adoption of each of the above amendments to AASBs and the new Interpretations has not had a material impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

(b) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards [1]	1 January 2018	30 June 2019

Notes to the Financial Statements

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

1 The AASB has issued the following versions of AASB 9:

- AASB 9 'Financial Instruments' (December 2009) and the relevant amending standard;
- AASB 9 'Financial Instruments' (December 2010) and the relevant amending standards;
- AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments
- AASB 9 'Financial Instruments' (December 2014) and the relevant amending standards

All the standards have an effective date of annual reporting periods beginning on or after 1 January 2018. Either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if the initial application date is before 1 February 2015. After this date only AASB 9 (December 2014) can be early adopted.

The Directors anticipate, with the exception of AASB 15 (which is yet to be fully assessed), that the above amendments and interpretations will not have a material impact on the financial report of the Group in the year or period of initial application. The Group is in the process of assessing the impact of AASB 15.

4. Critical accounting estimates and assumptions

In the process of applying the Group's accounting policies, management has made certain estimates and assumptions about the carrying values of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. Management has not made any significant judgements apart from those involving estimations (as discussed further). 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 as follows.

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices, foreign exchange rates, operating costs and any future development costs necessary to produce reserves. Estimates of future commodity prices are based on market consensus prices where available. A recoverable amount is then determined by discounting the expected net cash flows to their present values using a post-tax discount rate of 10% (2014: 14%).

Reserve estimates

Reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's Oil and Gas production licences. In order to calculate reserves, estimates and assumptions are required to be formulated about a range of geological, technical and economic factors including quantities, production techniques, recovery rates, production costs, transportation costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of reserves requires the size, shape and depth of the resource/hydrocarbon body or field to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgement and calculation to interpret the data.

As the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in the estimated future cash flows; and
- amortisation charges in the statement of comprehensive income may change as result of the change in the useful economic lives of assets.

Income taxes

The Group is subject to income taxes in multiple jurisdictions which require significant judgement to be exercised in determining the Group's provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current tax liabilities and assets are recognised at the amount expected to be paid to or recovered from the taxation authorities.

Realisation of deferred tax assets

The Group assesses the recoverability of deferred tax assets with reference to estimates of future taxable income. To the extent that actual taxable income differs from management's estimate of future taxable income, the value of recognised deferred tax assets may be affected. Deferred tax assets have been recognised to offset deferred tax liabilities to the extent that the deferred tax assets and liabilities are expected to be realised in the same jurisdiction and reporting period. Deferred tax assets have also been recognised based on management's best estimate of the recoverability of these assets against future taxable income. Deferred income tax assets and liabilities in the same jurisdiction are off-set in the statement of financial position only to the extent that there is a legally enforceable right to off-set current tax assets and current tax liabilities and the deferred balances relate to taxes levied by the same taxing authority and are expected either to be settled on a net basis or realised simultaneously.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of comprehensive income.

Restoration and rehabilitation expenditure

The Group's accounting policy for its restoration and rehabilitation closure provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the closure and rehabilitation asset and the provision.

5. Determination of fair values

A number of the Group's accounting policies and associated disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Given the short-term nature of trade receivables, the carrying amount is a reasonable approximation of fair value.

Investments in equity securities

The fair value of investments in listed equity securities is determined by reference to their quoted bid price at the reporting date.

Notes to the Financial Statements

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date.

The fair value of commodity and other price derivatives is based on a valuation model. The valuation model (which includes where relevant the consideration of credit risk) discounts the estimated future cash flows based on the terms and maturity of each contract using forward curves and market interest rates at the reporting date.

Non-derivative financial liabilities

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated by discounting the future contractual cash flows at the current market interest rates that are available for similar financial instruments.

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.

For the year ended $'000	Australia Exploration		Australia Production		USA Exploration		USA Production		Group	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Continued operations										
Revenue from oil and gas sales	-	-	-	96	-	-	2,696	4,172	2,696	4,268
Cost of sales	-	-	(154)	(60)	-	-	(1,550)	(1,765)	(1,704)	(1,825)
Gross profit/(loss)	-	-	**(154)**	**36**	-	-	**1,146**	**2,407**	**992**	**2,443**
Amortisation	-	-	-	-	-	-	(1,230)	(1,478)	(1,230)	(1,478)
Exploration, evaluation and production asset impairment	(381)	(500)	-	-	(14,923)	(13,758)	(1,606)	(7,515)	(16,910)	(21,773)
Segment result	**(381)**	**(500)**	**(154)**	**36**	**(14,923)**	**(13,758)**	**(1,690)**	**(6,586)**	**(17,148)**	**(20,808)**
Depreciation									(46)	(79)
Other income and expenses									1,311	(3,857)
Net financial income/(expenses)									6,158	(1,435)
Loss before income tax									**(9,725)**	**(26,179)**
Income tax benefit/(expense)									-	-
Group loss for the period									**(9,725)**	**(26,179)**

Notes to the Financial Statements

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

For year ended $'000	Assets		Liabilities	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Australia – Exploration	43,749	24,671	(10,491)	(5,751)
Australia – Production	-	132	(12,100)	(2,200)
USA – Exploration	-	18,493	(3,450)	(3,736)
USA – Production	1,494	3,401	(401)	(479)
	45,243	**46,697**	**(26,442)**	**(12,166)**
Unallocated assets and liabilities	12,276	11,307	(772)	(944)
	57,519	**58,004**	**(27,214)**	**(13,110)**

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than investments in associates, other financial assets, derivatives and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than other financial liabilities, current and deferred tax liabilities, and other liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For year ended $'000	Amortisation		Additions to non-current assets	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Australia – Exploration	-	-	19,431	13,076
Australia – Production	-	-	-	-
USA – Exploration	-	-	422	10,251
USA – Production	(1,230)	(1,478)	76	-
	(1,230)	**(1,478)**	**19,929**	**23,327**

Information about major customers

Included in revenue from oil and gas sales of $2,696,000 (2014: $4,268,000) are revenues of approximately $1,975,000 (2014: $3,186,000) which arose from sales to the Group's largest customer.

Information about major products and services

Details about the revenues for each product are disclosed in note 7(a).

7. Revenue and expenses

For the year ended $'000	30 June 2015	30 June 2014
(a) Revenue		
Gas sales	1,292	1,883
Oil sales	1,404	2,385
	2,696	**4,268**
(b) Cost of sales		
Production costs	(822)	(531)
Royalties and taxes	(882)	(1,294)
	(1,704)	**(1,825)**

Notes to the Financial Statements

For the year ended $'000	30 June 2015	30 June 2014
(c) Other income		
Cost recoveries	1,230	1,906
Royalty income	35	71
Eligible R&D refund	5,750	532
Other	1	1
	7,016	**2,510**
(d) Amortisation and depreciation		
Amortisation – oil and gas production assets	(1,230)	(1,478)
Depreciation – property, plant and equipment	(46)	(79)
	(1,276)	**(1,557)**
(e) Other expenses		
Impairment loss on gas transmission rights	(808)	-
Legal fees	(447)	(606)
Consulting fees	(297)	(1,220)
Office costs	(243)	(421)
Other	(418)	(748)
	(2,213)	**(2,995)**

8. Net financial income/(expenses)

For the year ended $'000	30 June 2015	30 June 2014
Interest income on cash and cash equivalents	195	260
Net foreign currency exchange gain	6,963	-
Net gain on derivative financial instruments	26	53
Financial income	**7,184**	**313**
Interest expense on financial liabilities	(914)	(879)
Financing transaction costs and fees	(112)	(192)
Net foreign currency exchange loss	-	(677)
Financial expenses	**(1,026)**	**(1,748)**

9. Income tax

For the year ended $'000	30 June 2015	30 June 2014
Income tax recognised in the statement of comprehensive income		
Tax benefit/(expense) comprises:		
Current tax benefit/(expense) in respect of the current year	1,668	8,569
Benefit arising from previously unrecognised tax losses, tax credits or temporary difference of a prior period used to reduce current tax expense	-	-
Deferred tax benefit/(expense) relating to the origination and reversal of temporary differences	3,409	(641)
Effect of tax losses not brought to account	(5,077)	(7,928)
	-	-

Notes to the Financial Statements

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

For the year ended $'000	30 June 2015	30 June 2014
Reconciliation of effective tax rate		
Loss from operations	**(9,725)**	**(26,179)**
Income tax benefit/(expense) calculated at 30%	2,917	7,853
Effect of income and expenditure that is either not assessable or deductible in determining taxable profit	(138)	(1,183)
Effect of tax concessions (research and development and other allowances)	1,725	160
Effect of different tax rate on US subsidiaries	573	1,098
Effect of tax losses not brought to account	(5,077)	(7,928)
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Deferred tax balances

For the year $'000	Opening balance	Recognised in profit or loss	Recognised in equity	Recognised in OCI	Closing balance
30 June 2015					
Temporary differences	-	-	-	-	-
Unused tax losses and credits	-	-	-	-	-
30 June 2014					
Temporary differences	-	-	-	-	-
Unused tax losses and credits	-	-	-	-	-

Income tax recognised directly in equity

There were no current and deferred amounts charged/(credited) directly to equity during the period (2014: nil).

Deferred tax assets

The following deferred tax assets have not been brought to account as assets:

As at $'000	30 June 2015	30 June 2014
Tax losses - revenue	13,796	14,990
Tax losses - revenue subject to available fraction	16,923	16,980
Tax losses - capital in nature subject to available fraction	347	347
Tax losses - capital in nature excess percentage depletion	2,282	2,148
Temporary differences	9,364	4,576
	42,712	**39,041**

Deferred tax liabilities

The following deferred tax liabilities have not been brought to account as liabilities:

As at $'000	30 June 2015	30 June 2014
Temporary differences	(13,110)	(7,398)
	(13,110)	**(7,398)**

Notes to the Financial Statements

Net unrecognised deferred tax assets

As at $'000	30 June 2015	30 June 2014
Net unrecognised deferred tax assets	29,602	31,643
	29,602	**31,643**

The Group has tax losses arising in Australia of $64,763,174 (2014: $73,932,945) and the United States of $32,257,260 (2014: $27,973,143).

The Group has recognised a deferred tax asset in relation to these losses to the extent necessary to offset deferred tax liabilities.

The Group has capital losses arising in Australia of $1,157,488 (2014: $1,157,488). The Group has not recognised a deferred income tax asset in relation to these losses. The Group has excess percentage of depletion losses arising in the United States of $6,520,197 (2014: $6,135,492). The Group has not recognised a deferred income tax asset in relation to these losses.

The Company and its wholly owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2013. The accounting policy in relation to this legislation is set out in note 3.19 (b).

10. Remuneration of auditors

For the year ended $	30 June 2015	30 June 2014
Amounts received/receivable by Deloitte Touche Tohmatsu (Aus) for:		
Audit or review of the financial report of the Group	113,400	108,000
Corporate advisory	-	27,500
Total audit remuneration	**113,400**	**135,500**

11. Cash and cash equivalents

As at $'000	30 June 2015	30 June 2014
Cash and cash equivalents (i)	11,675	3,424
Short term deposits (ii)	19	7,200
	11,694	**10,624**

(i) Cash at bank earns interest at floating rates based on daily deposit rates.

(ii) Short term deposits are at call and earn interest at prevailing short term deposit rates.

12. Assets classified as held for sale

As at $'000	30 June 2015	30 June 2014
Oil and gas exploration assets	-	4,918
	-	4,918

As announced on 11 July 2014, the Group entered into a Purchase and Sale Agreement (PSA) with Penn Virginia Oil & Gas (PVOG) to sell 1,617 of its net acres in Lavaca County Texas (USA). The PVOG PSA contained customary closing conditions including landowner approvals and closed on 29 August 2014. Initial proceeds of US$4.6 million were received on 29 August 2014 with the residual proceeds received on 7 November 2014.

Notes to the Financial Statements

13. Trade and other receivables

As at $'000	30 June 2015	30 June 2014
Current		
Trade receivables (i)	262	487
GST receivable	85	198
Other receivables	74	112
	421	**797**

(i) The average credit period on current trade receivables is 60 days (2014: 60 days). All amounts were collected within the average credit period. An allowance is made when there is objective evidence that a trade receivable is impaired. There was no evidence that impairment existed at balance date (2014: Nil). There were no amounts that were past due but not considered to be impaired at balance date (2014: Nil).

14. Other financial assets

As at $'000	30 June 2015	30 June 2014
Current		
Advances (i)	-	136
Prepayments	76	82
	76	**218**
Non-current		
Security deposits (ii)	320	318
	320	**318**

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

(ii) Security deposits relate to cash provided to secure certain leasing obligations. The weighted average interest was 3.24% (2014: 3.61%)

15. Exploration and evaluation assets

For the year ended $'000	Texas, USA	Louisiana, USA	Carnarvon Basin, Australia	Future Gas Project, Australia	Cooper Basin, Australia	Other	Total
Balance at 1 July 2014	**13,510**	**-**	**-**	**-**	**24,414**	**229**	**38,153**
Foreign exchange movements	1,669	-	-	-	-	-	1,669
Additions	422	-	28	8	18,948	447	19,853
Transfer to assets held for sale	-	-	-	-	-	-	-
Transfer to oil & gas producing assets	(678)	-	-	-	-	-	(678)
Other transfers	-	-	-	-	650	(650)	-
Impairment charge	(14,923)	-	(28)	(8)	(345)	-	(15,304)
Balance at 30 June 2015	**-**	**-**	**-**	**-**	**43,667**	**26**	**43,693**
Balance at 1 July 2013	**28,068**	**-**	**-**	**-**	**11,828**	**276**	**40,172**
Foreign exchange movements	63	-	-	-	-	5	68
Additions	10,249	2	108	16	12,761	191	23,327
Transfer to assets held for sale	(4,918)	-	-	-	-	-	(4,918)
Transfer to oil & gas producing assets	(6,238)	-	-	-	-	-	(6,238)
Impairment charge	(13,714)	(2)	(108)	(16)	(175)	(243)	(14,258)
Balance at 30 June 2014	**13,510**	**-**	**-**	**-**	**24,414**	**229**	**38,153**

Notes to the Financial Statements

Transfer to assets held for sale

As outlined in note 12, the Group entered into a PSA with PVOG to sell 1,617 of its net acres in Lavaca County Texas (USA). On entering into the PSA, the Group transferred the value of the assets subject to the transaction to assets held for sale. No gain or loss was recognised on the initial transfer of these assets to held for sale.

Impairment charge

During the financial year, the Group recognised a non-cash impairment charge of $15.3 million (2014: $14.3 million) predominately relating to its US operations which has been recognised in the profit or loss component of the statement of comprehensive income. Post the completion of the Penn Virginia divestiture transaction and as outlined in the Group's interim results for the half year period ended 31 December 2014, the Board elected to fully impair the remaining exploration acreage associated with the Eagle Ford Joint Venture. Subsequent to this decision, the Board separately elected to impair in full the carried forward exploration expenditure associated with its Permian Basin Joint Venture interest. These decisions reflect the Board's intention to no longer actively pursue these areas and the expectation in the current market that opportunities to either divest or farm-out of this acreage is expected to be limited.

16. Oil and gas production assets

The following table details the consolidated expenditure on the Group's oil and gas production assets located in Texas (USA):

For the year ended $'000	30 June 2015	30 June 2014
Balance at 1 July	2,859	5,435
Additions	76	-
Transfer from exploration expenditure	678	6,238
Change in restoration and rehabilitation obligations	-	196
Amortisation of oil and gas production assets	(1,230)	(1,478)
Impairment charge	(1,606)	(7,515)
Foreign exchange movement	456	(17)
Balance at 30 June	**1,233**	**2,859**

There was no amortisation during the current year (2014: nil) that was capitalised as part of inventory or the cost of other assets.

Change in restoration and rehabilitation obligations

Refer to note 20 for further details relating to the Group's restoration and rehabilitation obligations.

Impairment charge

During the financial year, the Group recognised a non-cash impairment charge of $1.6 million (2014: $7.5 million) in respect of the carrying value of certain of its US production assets resulting from the current prevailing economic conditions (i.e. US domestic crude oil pricing). This charge has been recognised in the profit or loss component of the statement of comprehensive income.

Notes to the Financial Statements

17. Property, plant and equipment

For the year ended $'000	Leasehold improvements	Plant and equipment	Furniture and fittings	Computer equipment	Assets under finance lease	Total
Assets at cost						
Balance at 1 July 2014	**-**	**1**	**8**	**204**	**16**	**229**
Foreign exchange movements	-	-	-	-	-	-
Additions	8	-	5	-	-	13
Disposals	-	-	(2)	-	-	(2)
Transfers	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-
Balance at 30 June 2015	**8**	**1**	**11**	**204**	**16**	**240**
Balance at 1 July 2013	**152**	**17**	**108**	**656**	**-**	**933**
Foreign exchange movements	-	-	-	-	-	-
Additions	-	-	4	29	16	49
Disposals	(152)	(16)	(104)	(481)	-	(753)
Transfers	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-
Balance at 30 June 2014	**-**	**1**	**8**	**204**	**16**	**229**
Accumulated depreciation and impairment charges						
Balance at 1 July 2014	**-**	**-**	**(1)**	**(110)**	**(1)**	**(112)**
Foreign exchange movements	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Depreciation expense	(5)	-	(1)	(36)	(4)	(46)
Balance at 30 June 2015	**(5)**	**-**	**(2)**	**(146)**	**(5)**	**(158)**
Balance at 1 July 2013	**(68)**	**(8)**	**(36)**	**(473)**	**-**	**(585)**
Foreign exchange movements	-	-	-	1	-	1
Additions	-	-	-	-	-	-
Disposals	83	9	43	416	-	551
Transfers	-	-	-	-	-	-
Depreciation expense	(15)	(1)	(8)	(54)	(1)	(79)
Balance at 30 June 2014	**-**	**-**	**(1)**	**(110)**	**(1)**	**(112)**
As at 30 June 2014 – NBV	**-**	**1**	**7**	**94**	**15**	**117**
As at 30 June 2015 - NBV	**3**	**1**	**9**	**58**	**11**	**82**

There was no depreciation during the current year (2014: nil) that was capitalised as part of inventory or other assets.

18. Trade and other payables

As at $'000	30 June 2015	30 June 2014
Trade payables	731	1,732
Accruals and other payables	2,144	2,408
Total trade and other payables	**2,875**	**4,140**
Current	2,875	4,140
Non-current	-	-

Trade and other payables are non-interest bearing and normally settled within 30 days (2014: 30 days).

Notes to the Financial Statements

19. Employee benefits

As at $'000	30 June 2015	30 June 2014
Provision for annual leave	64	66
Provision for long service leave	51	32
Total employee benefits	**115**	**98**
Current	82	66
Non-current	33	32

20. Provisions

As at $'000	Restoration and rehabilitation	Onerous contracts	Total
Balance at 1 July 2014	**249**	**166**	**415**
Provisions made during the year	-	-	-
Provisions utilised during the year	-	(112)	(112)
Effect of discounting	24	-	24
Balance at 30 June 2015	**273**	**54**	**327**
Current	-	54	54
Non-current	273	-	273
Total provisions at 30 June 2015	**273**	**54**	**327**
Current	-	117	117
Non-current	249	49	298
Total provisions at 30 June 2014	**249**	**166**	**415**

Restoration and rehabilitation

The Group's oil and gas production activities in the United States give rise to obligations for site restoration and rehabilitation. The key areas of uncertainty in estimating the provisions for these obligations are set out in note 4.

The provision recognised represents the expected cost to dismantle and dispose of the production surface level infrastructure, certain components of the subsurface infrastructure (including the plugging of well) and to also rehabilitate the surrounding disturbed land areas to a state acceptable under the various provisions as prescribed by various regulatory authorities. The provision is based on the estimated cost of restoring the production facilities. Final site restoration is not expected to occur until the cessation of operations which are determined on a location by location basis.

Onerous contracts

The provision for onerous contracts represents the expected value of obligations arising under non-cancellable leasing agreements that the Group is currently contracted to, arising from the closure of its West Perth Office. The provision at 30 June 2015 represents management's current forecasted estimate of the value the leasing commitment that the Group will be unable to receive a benefit for through either the use of the leased asset or through sub-leasing arrangements.

Notes to the Financial Statements

21. Borrowings

As at $'000	30 June 2015	30 June 2014
BlueRock Facility (a)(i)	963	1,478
Finance lease liabilities	3	3
Macquarie Facility (b)(iii)	5,817	-
Total current borrowings	**6,783**	**1,481**
BlueRock Facility (a)	2,487	2,225
Orica Facility (ii)	2,500	2,500
Finance lease liabilities	8	12
Total non-current borrowings	**4,995**	**4,737**
(a) BlueRock Facility (current and non-current)	3,487	3,763
Embedded derivative	(37)	(60)
Carrying amount	**3,450**	**3,703**
(b) Macquarie Facility (current)	5,900	-
Debt issuance costs	(83)	-
Carrying amount	**5,817**	**-**

(i) On 22 May 2013, the Group entered into a production payment funding facility (the BlueRock Facility) with BlueRock Energy Capital, for the purpose of funding the drilling and completion costs for the Group's existing Eagle Ford Shales and Permian 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.

(iii) On 29 January 2015, 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 2015. The Macquarie Facility had an initial limit of $4.5 million and could be drawn upon after the eligible R&D expenditure incurred has been validated by the Group's R&D advisors. The Macquarie Facility is collateralised in full from the proceeds of the Company's 2015 R&D refund from the ATO anticipated to be received prior to November 2015. On 20 March 2015, the Group executed an amendment to the Macquarie Facility, increasing the facility limit to $5.9 million. An initial draw down of $4.0 million was made on 29 January 2015 with subsequent drawdowns of $1.1 million (net of the incremental facility costs) on 20 March 2015 and $0.8 million on 15 June 2015.

22. Other liabilities

As at $'000	30 June 2015	30 June 2014
Unearned revenue – Gas prepayment agreements	12,100	2,200
Total other liabilities	**12,100**	**2,200**
Current	-	-
Non-current	**12,100**	**2,200**

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

Notes to the Financial Statements

23. Equity and reserves

Share capital

	Number of shares (No'000)		Issued capital ($'000)	
For the year ended	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Balance at beginning of year	833,331	614,519	121,806	98,480
Placements during the year	-	218,812	-	24,418
Share issue costs during the year	-	-	-	(1,092)
Balance at end of year	**833,331**	**833,331**	**121,806**	**121,806**

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

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

Reserves

Employee share incentive plan - share-based payments reserve

On 14 May 2014, the Directors of the Company revised and approved the Employee Share Incentive Plan (the Plan). The Plan was subsequently approved and ratified on 30 October 2014 by shareholders at the Annual General Meeting of the Company. Under the terms of the Plan, both share options and performance rights are able to be granted to eligible employees for no consideration. Typically, awards are granted for a two to three year period, with a number of vesting conditions attached. Entitlements under the awards vest as soon as the associated vesting conditions have been met. Awards are not able to be settled in cash. Awards under the plan carry no dividend or voting rights.

During the year ended 30 June 2015, the Group issued 27,850,000 performance rights and nil options (2014: 1,700,000 performance rights and nil options) under the Plan. The net expense recognised in the statement of comprehensive income in relation to share-based payments was $513k (2014: $152k).

Other options

On 28 May 2014, at a general meeting of the Company, the shareholders approved the issue of an option (the Orica option) to Orica Investments Pty Limited (Orica Investments) to subscribe for up to 20,833,333 shares in the Company for consideration of $2.5 million. On 27 May 2015, as a result of the Orica option not being exercised, the instrument expired.

Instruments outstanding

The balance of share options and performance rights on issue as at 30 June 2015 as follows:

Date granted	Date exercisable	Expiry date	Exercise price of instrument	Number of instruments	Fair value at grant date
18 November 2011	18 November 2011	18 November 2016	$0.20	4,000,000	$0.08
18 November 2011	18 November 2013	18 November 2016	$0.20	3,000,000	$0.07
18 November 2011	18 November 2013	18 November 2018	$0.20	3,000,000	$0.08
1 November 2012	1 November 2014	1 November 2015	$0.20	500,000	$0.09
1 November 2012	1 November 2014	1 November 2017	$0.20	500,000	$0.10
1 November 2012	1 November 2014	1 November 2017	$0.20	500,000	$0.10
10 April 2013	10 April 2014	10 April 2018	$0.18	100,000	$0.04
10 April 2013	10 April 2015	10 April 2018	$0.18	100,000	$0.04
14 May 2014	Up to 14 May 2016	14 May 2016	Nil	566,667	$0.07
14 May 2014	Up to 14 May 2016	14 May 2016	Nil	566,667	$0.03
14 May 2014	Up to 14 May 2016	14 May 2016	Nil	566,666	$0.02
30 October 2014	Up to 30 October 2018	30 October 2018	Nil	8,983,335	$0.07
30 October 2014	Up to 30 October 2018	30 October 2018	Nil	8,983,334	$0.05
30 October 2014	Up to 30 October 2018	30 October 2018	Nil	8,983,331	$0.03
				40,350,000	

Notes to the Financial Statements

The weighted average remaining contractual life for options and performance rights on issue at the end of the year was 2.0 years and 3.2 years respectively (2014: 1.4 years, 1.9 years).

The weighted average of exercise prices for options on issue at the end of the year was $0.20 (2014: $0.16). Performance rights when vested are exercisable for nil consideration.

The fair value of the options and performance rights granted during the period is estimated as at the date of grant using a Monte Carlo simulation model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs used to value instruments issued during the year ended 30 June 2015:

	30 October 2014 (i)	**30 October 2014** (ii)	**30 October 2014** (iii)
Instrument	Performance right	Performance right	Performance right
Number	9,283,335	9,283,334	9,283,331
Expiry date	30 October 2018	30 October 2018	30 October 2018
Dividend yield	Nil%	Nil%	Nil%
Expected volatility	60.0%	60.0%	60.0%
Risk-free interest rate	2.74%	2.74%	2.74%
Expected life of instruments (years)	1.6	2.2	2.6
Share price at grant date	$0.097	$0.097	$0.097

(i) Under the terms of the award, the performance rights will vest if the Company's closing share prices is greater than $0.20 on any five consecutive days during the vesting period (30 October 2014 to 30 October 2018) and the participant is an employee of the Company.

(ii) Under the terms of the award, the performance rights will vest if the Company's closing share prices is greater than $0.35 on any five consecutive days during the vesting period (30 October 2014 to 30 October 2018) and the participant is an employee of the Company.

(iii) Under the terms of the award, the performance rights will vest if the Company's closing share prices is greater than $0.50 on any five consecutive days during the vesting period (30 October 2014 to 30 October 2018) and the participant is an employee of the Company.

For details of the fair values of instruments issued in previous financial periods, please refer to the annual financial reports of the Group for the year ended 30 June 2014 or earlier. The expected life of instruments is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Instruments exercised during the financial year

There were no options or performance rights exercised during the financial year (2014: Nil).

Change in instruments on issue

For the year ended	**30 June 2015**		**30 June 2014**	
	Number of instruments	**Weighted average exercise price ($)**	**Number of instruments**	**Weighted average exercise price ($)**
Balance at beginning of year	21,900,001	0.16	21,375,000	0.26
Options granted during the year	-	-	1	(i)
Performance rights granted during the year	27,850,000	-	1,700,000	-
Cancelled/Forfeited (Performance rights)	(900,000)	-	-	-
Expired (Options)	(8,500,001)	0.15	(1,175,000)	0.29
Exercised during the year	-	-	-	-
Balance at end of year	**40,350,000**	**0.20**	**21,900,001**	0.16
Exercisable at end of year	**10,200,000**	0.20	**13,600,000**	0.20

(i) Refer to the terms of the Orica option above.

Foreign currency translation reserve

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

Notes to the Financial Statements

Dividends

No dividends have been declared or paid during the period.

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 year ended	30 June 2015	30 June 2014
Net loss attributed to ordinary shareholders (in $'000)	(9,725)	(26,179)
Loss used in calculating basic and diluted loss per share (in $'000)	**(9,725)**	**(26,179)**
Number of shares (No'000)	833,331	833,331
Weighted average number of ordinary shares used in calculating basic loss per share (No'000):	833,331	727,913
Diluted loss per share:		
The number of instruments which are potential ordinary shares that are not dilutive and hence not used in the valuation of the diluted loss per share (No'000)	40,350	42,733
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share (No'000)	833,331	727,913
Basic loss per share (cents per share)	(1.17)	(3.59)
Diluted loss per share (cents per share)	(1.17)	(3.59)

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

The following potential ordinary shares are not dilutive and are therefore not excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share:

As at No'000	30 June 2015	30 June 2014
Employee options and performance rights	40,350	15,900
Underwriter options	-	6,000
Orica option (reflects the maximum number of shares issuable)	-	20,833
	40,350	**42,733**

Capital management

The Directors are responsible for monitoring and managing the Group's capital structure.

The Directors' policy is to maintain an acceptable capital base to promote the confidence of the Group's financiers, creditors and partners and to sustain the future development of the business. The Directors monitor the Group's financial position to ensure that it complies at all times with its financial commitments and arrangements.

In order to maintain or adjust the capital structure, the Directors may elect to take a number of measures including, for example, to dispose of assets or operating segments of the business, to alter its short to medium term plans in respect of capital projects and working capital levels, or to re-balance the level of equity and external debt in place. Capital comprises share capital, external debt and reserves.

Notes to the Financial Statements

24. Financial risk management

Overview

This note presents information about the Group's exposure to market risk, credit risk and liquidity risk, and, where applicable, the Group's objectives, policies and procedures for managing these risks.

Exposure to market, credit and liquidity risks arise in the normal course of the Group's business. The Directors and management of the Group have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Directors have established policies that identify risks faced by the Group and sets out policies and procedures to mitigate those risks. Monthly consolidated reports are prepared for the Directors, who ensure compliance with the Group's risk management policies and procedures.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's cash flows or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Foreign exchange risk

As a result of the Group's international operations, foreign exchange risk exposures exist on purchases, assets and borrowings that are denominated in foreign currencies (i.e. currencies other than the functional currency of each of the Group's operating entities). The currencies in which these transactions are primarily denominated are the USD.

The Group takes advantage of natural offsets to the extent possible. Therefore, when commercially feasible, the Group borrows in the same currencies in which cash flows from operations are generated. Generally the Group does not use forward exchange contracts to hedge residual foreign exchange risk arising from receipts and payments denominated in foreign currencies. However, when considered appropriate the Group may enter into forward exchange contracts to hedge foreign exchange risk arising from specific transactions.

The Group's primary exposure to foreign exchange risk is on the translation of net assets of Group entities which are denominated in currencies other than AUD, which is the Group's presentation currency. The impact of movements in exchange rates is recognised primarily in the other comprehensive income component of the Group's statement of comprehensive income.

Certain subsidiaries within the Group are exposed to foreign exchange risk on purchases denominated in currencies that are not the functional currency of that subsidiary. In these circumstances, a change in exchange rates would impact the net operating profit recognised in the profit or loss component of the Group's statement of comprehensive income.

Exposure to foreign exchange risk

The Group is exposed to foreign exchange risk on financial assets and financial liabilities that are denominated in foreign currencies (i.e. currencies other than the functional currency of each of the Group's operating entities). The Group's exposure on financial assets and liabilities by currency which have the potential of impacting the profit or loss component of the statement of comprehensive income is detailed below.

As at	30 June 2015			30 June 2014		
$'000	AUD	USD	Total	AUD	USD	Total
Cash and cash equivalents	-	907	907	-	-	-
Trade and other receivables	-	-	-	-	-	-
Trade and other payables	-	(716)	(716)	-	(62)	(62)
Borrowings	(34,290)	-	(34,290)	(36,688)	-	(36,688)
Total exposure	**(34,290)**	**191**	**(34,099)**	**(36,688)**	**(62)**	**(36,750)**

In addition, the Group is exposed to foreign exchange risk on the translation of its operations that are denominated in currencies other than AUD. The Group's net assets denominated in currencies other than the AUD which have the potential of impacting the other comprehensive income component of the statement of comprehensive income are:

Notes to the Financial Statements

As at $'000	30 June 2015	30 June 2014
Net asset exposure - USD functional currency	(27,893)	(17,801)

Significant exchange rates

The following significant exchange rates applied to the translation of net assets of Group entities which are denominated in currencies other than AUD during the period:

	Average rate for the year ended		Closing rate at	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
USD	0.8386	0.9186	0.7680	0.9420

Sensitivity analysis

A change in exchange rates would impact future payments and receipts on the Group's financial assets and liabilities denominated in differing currencies to each respective member of the Group's functional currency. A 10% strengthening or weakening of these currencies against the respective Group member's functional currency, at the reporting date, would have increased/(decreased) the reported profit or loss for the year by the amounts shown. This analysis assumes that all other variables, in particular interest rates, remain constant. The same basis has been applied for all periods presented.

For the year ended $'000	Increase/(Decrease) in P&L for the year ended 30 June 2015		Increase/(Decrease) in P&L for the year ended 30 June 2014	
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
USD	2,633	(2,633)	3,456	(3,456)

A change in exchange rates would also impact the translation of net assets of Group operations whose functional currencies are denominated in currencies other than AUD, which is the Group's presentation currency. A 10% strengthening or weakening of these currencies against the Group's presentation currency, at the reporting date, would have increased/(decreased) the reported net asset position with a corresponding change to the foreign currency translation reserve ('FCTR') for the year by the amounts shown. This analysis assumes that all other variables remain constant. The same basis has been applied for all periods presented.

For the year ended $'000	Increase/(Decrease) in FCTR for the year ended 30 June 2015		Increase/(Decrease) in FCTR for the year ended 30 June 2014	
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
USD	4,299	(5,254)	1,824	(2,229)

Interest rate risk

The Group's interest rate risk arises from long-term borrowings at both fixed and floating rates and deposits which earn interest at floating rates. Borrowings and deposits at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group's primary exposure is to both floating and fixed interest rates on borrowings in Australia and the United States.

Interest rate risk on borrowings is partially offset by the Group as it has a component of its cash deposits in both floating and fixed rate accounts.

The following table sets out the Group's interest rate risk re-pricing profile:

Notes to the Financial Statements

As at $'000	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
30 June 2015					
Fixed rate instruments					
Cash and cash equivalents	19	19	-	-	-
Other non-current assets	320	320	-	-	-
Borrowings – Orica Facility	(2,500)	-	-	-	(2,500)
Borrowings – Macquarie Facility	(5,817)	(5,817)	-	-	-
Borrowings – BlueRock Facility	(3,450)	-	-	-	(3,450)
Borrowings – finance leases	(11)	-	-	-	(11)
Total fixed rate instruments	**(11,439)**	**(5,478)**	**-**	**-**	**(5,961)**
Floating rate instruments					
Cash and cash equivalents	11,675	11,675	-	-	-
Total floating rate instruments	**11,675**	**11,675**	-	-	**-**
30 June 2014					
Fixed rate instruments					
Cash and cash equivalents	7,200	7,200	-	-	-
Other non-current assets	318	318	-	-	-
Borrowings – Orica Facility	(2,500)	-	-	-	(2,500)
Borrowings – BlueRock Facility	(3,703)	-	-	-	(3,703)
Borrowings – finance leases	(15)	-	-	-	(15)
Total fixed rate instruments	**1,300**	**7,518**	-	-	**(6,218)**
Floating rate instruments					
Cash and cash equivalents	3,424	3,424	-	-	-
Total floating rate instruments	**3,424**	**3,424**	-	-	**-**

The Group's sensitivity to interest rate risk can be expressed in two ways:

Fair value sensitivity analysis

A change in interest rates impacts the fair value of the Group's fixed rate borrowings. Given all debt instruments are carried at amortised cost, a change in interest rates would not impact the profit or loss component of the statement of comprehensive income or the statement of financial position.

Cash flow sensitivity analysis

A change in interest rates would have an impact on future interest payments and receipts on the Group's floating rate assets and liabilities. An increase or decrease in interest rates of 200 basis points at the reporting date would negatively or positively impact both the statement of financial position and the profit or loss component of the statement of comprehensive income by the amounts shown, based on the assets and liabilities held at the reporting date and a one year time frame. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for comparative periods.

For the year ended $'000	30 June 2015	30 June 2014
200 basis point parallel increase in interest rates	233	68
200 basis point parallel decrease in interest rates	(233)	(68)

Commodity and other price risk

Commodity and other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

Notes to the Financial Statements

If the average of commodity prices during the year had increased/(decreased) by 10%, the Group's net profit after tax would increase/(decrease) by $270,000 (2014: $426,000).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers and cash deposits with financial institutions.

Trade receivables consist primarily of oil and gas sales revenue due from the operators of the US operations joint venture, Cypress E&P Corporation and Torch Energy Advisors.

The Company has undertaken credit evaluations and, as a result, does not consider Cypress E&P Corporation or Torch Energy Advisors a significant credit risk exposure to the Group. In addition, the Group limits credit risk on its cash deposits by only transacting with high credit-rated Australian and US financial institutions.

Liquidity risk

Liquidity risk is the risk that the Group will not meet its contractual obligations as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities as and when they fall due and comply with covenants under both normal and stressed conditions.

The Group evaluates its liquidity requirements on an on-going basis and ensures that it has sufficient cash to meet expected operating expenses including the servicing of its financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table sets out contractual cash flows for all financial liabilities. It should be noted that the Group's current derivatives related to a residual interest arising under the BlueRock facility over certain of the Group's US Production assets, which entitle the lender to future direct ownership interest in these assets. As such there is no contractual cash flows associated with this instrument.

As at $'000	Weighted average effective interest rate	Total	1 month or less	1 to 3 months	3 months to 1 year	1 to 5 years
30 June 2015						
Non-derivative financial liabilities						
Trade and other payables	-	2,875	731	2,144	-	-
Borrowings	11%	11,815	112	225	6,758	4,720
Total non-derivative financial liabilities		14,690	843	2,369	6,758	4,720
Total		**14,690**	**843**	**2,369**	**6,758**	**4,720**
30 June 2014						
Non-derivative financial liabilities						
Trade and other payables	-	4,140	1,732	2,408	-	-
Borrowings	12%	7,207	192	382	1,461	5,172
Total non-derivative financial liabilities		11,347	1,924	2,790	1,461	5,172
Total		**11,347**	**1,924**	**2,790**	**1,461**	**5,172**

Notes to the Financial Statements

Classification and fair values

As at $'000	Available-for-sale	Cash, loans and receivables	Other liabilities	Total carrying amount	Total fair value
30 June 2015					
Assets					
Cash and cash equivalents	-	11,694	-	11,694	11,694
Trade and other receivables	-	421	-	421	421
Other financial assets	-	396	-	396	396
Assets held for sale	-	-	-	-	-
Total assets	**-**	**12,511**	**-**	**12,511**	**12,511**
Liabilities					
Trade and other payables	-	-	(2,875)	(2,875)	(2,875)
Derivatives	-	-	(19)	(19)	(19)
Borrowings	-	-	(11,778)	(11,778)	(11,778)
Total liabilities	**-**	**-**	**(14,672)**	**(14,672)**	**(14,672)**
30 June 2014					
Assets					
Cash and cash equivalents	-	10,624	-	10,624	10,624
Trade and other receivables	-	797	-	797	797
Other financial assets	-	536	-	536	536
Assets held for sale	4,918	-	-	4,918	4,918
Total assets	**4,918**	**11,957**	**-**	**16,875**	**16,875**
Liabilities					
Trade and other payables	-	-	(4,140)	(4,140)	(4,140)
Derivatives	-	-	(39)	(39)	(39)
Borrowings	-	-	(6,218)	(6,218)	(6,218)
Total liabilities	**-**	**-**	**(10,397)**	**(10,397)**	**(10,397)**

The only financial assets or financial liabilities that the Group classified as fair value through profit or loss are derivatives.

The methods used in determining fair values of financial instruments are outlined in note 5.

Fair value measurements recognised in the statement of comprehensive income

Subsequent to initial recognition, the Group measures financial instruments at fair value grouped into the following levels 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;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at $'000	Level 1	Level 2	Level 3	30 June 2015	Level 1	Level 2	Level 3	30 June 2014
Financial liabilities at fair value								
Derivatives (i)	-	-	(19)	**(19)**	-	-	(39)	**(39)**

(i) Represents the estimated fair value of the perpetual overriding royalty interest of 0.5%-1% in certain of the Group's US production assets as granted under the terms of the BlueRock Facility (Refer to Note 21).

Notes to the Financial Statements

25. Parent entity disclosures

For the year ended/As at $'000	30 June 2015	30 June 2014
Assets		
Current assets	8,596	8,125
Non-current assets	30,760	42,369
Total assets	39,356	50,494
Liabilities		
Current liabilities	(588)	(686)
Non-current liabilities	(8,463)	(4,914)
Total liabilities	(9,051)	(5,600)
Net assets	30,305	44,894
Equity		
Issued capital	121,806	121,806
Share-based payments reserve	4,726	4,213
Accumulated losses	(96,227)	(81,125)
Total equity	30,305	44,894
Loss for the year	(15,102)	(25,719)
Other comprehensive income/(loss)	-	-

With the exception of a guarantee provided in favour of Cypress E&P Corporation (the operator of the Eagle Ford Joint Venture) in respect of future payment obligations of Strike Energy Eagle Ford LLC of up to US$ 667,652 relating to future gas transmission and transportation, the Company has provided no guarantees to the debts of its subsidiaries.

26. Investments in subsidiaries

Name	Country of incorporation	Percentage interest held (%)		Cost of Company's interest ($)	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
Strike Oil Corp [(ii) (vi)]	USA	100	100	-	13,374,430
Strike Energy Eagle Ford LLC [(ii)]	USA	100	100	-	-
Strike Oil Louisiana LLC [(ii) (iv)]	USA	-	100	-	-
Strike Energy Wilcox LLC [(ii)]	USA	100	100	-	-
Strike Energy Permian Basin LLC [(ii)]	USA	100	100	-	-
Strike Energy Holdings Australia Pty Limited [(i) (v)]	Australia	100	100	1	1
Strike Energy Western Australia Pty Ltd [(i)]	Australia	100	100	100	100
Strike Energy South Australia Pty Ltd [(i)]	Australia	100	100	1	1
Strike Energy USA Pty Ltd[(i)]	Australia	100	100	100	1
Strike Energy 96 Holdings Pty Ltd[(i) (ii)]	Australia	100	100	1	1
Strike Energy 95 Holdings Pty Ltd[(i) (ii)]	Australia	100	100	1	1
Strike Energy 94 Holdings Pty Ltd[(i) (ii)]	Australia	100	100	1	1
Strike Energy Cooper Holdings Pty Ltd[(i) (ii)]	Australia	100	100	1	1
Strike Energy 96 Pty Ltd[(i) (ii)]	Australia	100	100	-	-
Strike Energy 95 Pty Ltd[(i) (ii)]	Australia	100	100	-	-
Strike Energy 94 Pty Ltd[(i) (ii)]	Australia	100	100	-	-
Strike Energy Cooper Pty Ltd [(i) (ii)]	Australia	100	100	-	-
Strike Energy USA Holdings Pty Ltd [(i) (iii) (vi)]	Australia	100	-	13,374,430	-
Total investments in subsidiaries				**13,374,636**	**13,374,537**

(i) These entities are not required to prepare or lodge audited accounts in Australia.
(ii) Reflects indirect ownership interest.
(iii) Entity incorporated on 21 August 2014.
(iv) Entity was placed into liquidation on 29 May 2014.
(v) Name changed from Hybrid Energy Australia Pty Ltd on 25 June 2015.
(vi) As a result of a group re-organisation on 9 April 2015, the investment in Strike Oil Corp was transferred to Strike Energy USA Holdings Pty Ltd.

Notes to the Financial Statements

27. Interest in petroleum permits and mineral tenements

The Group is a participant in the following petroleum permits and mineral tenements and properties:

			Percentage interest held (%)	
Permit	**Operator**		**30 June 2015**	**30 June 2014**
Carnarvon Basin – Australia				
EP 110 (i)	Strike Energy Limited	#	-	61.54%
EP 325 (i)	Strike Energy Limited	#	-	44.5%
EP 424 (i)	Strike Energy Limited	#	-	61.54%
WA 460P (i)	Strike Energy Limited	#	-	33.3%
Cooper-Eromanga Basin – Australia				
PEL 71 (i)	Strike Energy Limited	#	-	75%
PEL 94	Beach Energy Limited	#	35%	35%
PEL 95	Beach Energy Limited	#	50%	50%
PEL 96	Strike Energy Limited	#	66.67%	66.67%
PEL 515	Strike Energy Limited		100%	100%
PELA 640	Strike Energy Limited		100%	-
PEL 575 (i)	Strike Energy Limited		-	100%
PPL 210	Beach Energy Limited	*	50%	50%
Otway Basin – Australia				
PEL 127 (i)	Strike Energy Holdings Australia Pty Limited		-	100%
EL 5476 (Mineral) (i)	Strike Energy Holdings Australia Pty Limited		-	100%
Texas – USA				
Eaglewood JV area	Cypress E&P Corporation	*	40%	40%
Eagle Ford JV area	Cypress E&P Corporation	*	27.5%	27.5%
Louise project area	Cypress E&P Corporation	*	40%	40%
Permian Clearfork project area	Torch Production Company, LLC	*	25%	25%

(i) The group relinquished its rights and interest in each of these petroleum permits during the financial period.

* Indicates petroleum permits subject to joint venture arrangements which undertake a combination of exploration, evaluation and oil and gas production activities.

# Indicates petroleum permits subject to joint venture arrangements which undertake exploration and evaluation activities.

28. Commitments for expenditure

As at **$'000**	**30 June 2015**	**30 June 2014**
Permit and lease commitments		
Less than one year	700	2,697
Between one and five years	12,800	-
Total	13,500	**2,697**

The above commitments relate to the Group's permits and the estimated minimum expenditure commitments made to the respective authorities in South Australia and also previously in Western Australia. In addition, the amounts include the expected minimum lease payment to be made to land owners in respect of the Group's exploration and production properties in the United States which the Group intends to continue to participate in. Such payments are necessary in order to maintain the Group's interest in each of the permit areas.

Notes to the Financial Statements

29. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

As at $'000	30 June 2015	30 June 2014
Less than one year	9	43
Between one and five years	-	-
More than five years	-	-
Total	**9**	**43**

During the year ended 30 June 2015, $410,000 was recognised as an expense in the profit and loss component of the statement of comprehensive income in respect of operating leases (2014: $443,000).

30. Interest in Joint Arrangements

Details relating to the Group's interests in petroleum permits and mineral tenements which are subject to Joint Arrangements are detailed in note 27.

The Group's interests in assets and liabilities that are subject to Joint Arrangements are listed below. These assets and liabilities are included in the consolidated financial report in their respective asset classes.

As at $'000	30 June 2015	30 June 2014
Current assets		
Cash and cash equivalents	3,476	2,785
Trade and other receivables	81	170
	3,557	**2,955**
Non-current assets		
Other financial assets	33	33
Exploration and evaluation assets	43,246	37,553
Oil and gas production assets	1,233	2,859
	44,512	**40,445**
Share of total assets of joint arrangements	**48,069**	**43,400**
Current liabilities		
Trade and other payables	(2,070)	(1,258)
Share of net assets of joint arrangements	**45,999**	**42,142**

31. Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below:

For the year ended $	30 June 2015	30 June 2014
Short-term employee benefits	1,536,872	1,901,284
Post-employment benefits	104,535	109,289
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	491,854	145,945
Total	**2,133,261**	**2,156,518**

Other details of remuneration of key management personnel are provided in the remuneration report which forms part of the Directors' Report to shareholders.

32. Related party transactions

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 26.

Equity interests in associates and joint ventures

Details of interests in joint ventures are disclosed in note 27.

Transactions with key management personnel

During the year, the following were paid/payable to key management personnel and their related entities:

- $32,534 (2014: $17,705) was paid/payable to Challenger Geological Services Pty Limited (a director related entity via Mr S Ashton) for geological sample handling and storage;
- $116,317 (2014: $43,320) was paid/payable to M H Carnegie & Co (a director related entity via Mr M Carnegie) for commercial office space; and
- $11,687 (2014: nil) was paid to Rowe Strategic Management Group Pty Ltd (a director related entity via Ms J Rowe) for procurement consulting services.

There were no other transactions or balances with key management personnel other than in the ordinary course of business.

Transactions with other related parties

During the financial year, the following transactions occurred between the Company and its related parties:

Strike Energy Limited advanced $34,142,414 (2014: $101,140) for the working capital requirements of its Australian subsidiaries.

Strike Energy Limited derived interest income of $407,730 (2014: $541,640) from its US subsidiary on loans receivable. The weighted average interest rate on the loans was 1.63% (2014: 1.59%). Interest receivable is calculated on the outstanding loan balance on the last day of each month.

Strike Energy Limited does not charge interest on loans made to its Australian subsidiaries.

Strike Energy Limited provided management services to its subsidiaries and joint ventures totalling $911,389 (2014: $1,219,230).

The following balances arising from transactions between the Company and its related parties are outstanding at reporting date as follows:

- Loan receivables totalling $34,124,887 (2014: $46,659,018) from subsidiaries; and
- Trade receivables totalling $57,360 (2014: $234,195) from joint ventures.

All amounts advanced to related parties are unsecured.

Amounts outstanding will be settled unless it is considered that the related party will be unable to repay the amounts, in which case, a bad debt is recognised. No guarantees have been received.

Transactions between the Company and its related parties were eliminated in the preparation of the consolidated financial statements of the Group.

Parent entity

The parent and ultimate parent entity in the Group is Strike Energy Limited. Strike Energy Limited was incorporated in Australia.

Notes to the Financial Statements

33. Contingencies

Litigation and legal proceedings

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

34. Subsequent events

On 21 September 2015, the Group received final confirmation and payment of the $8.5 million refund from the Australian Taxation Office (ATO) relating to the eligible research and development (R&D) expenditure incurred during the year ended 30 June 2015. In connection with this receipt, the Group repaid the $5.9 million outstanding under the terms of the Macquarie Facility while also entering into an amendment to extend the facility for a further twelve month period and to allow for incremental new drawdowns of up to $4.0 million.

With the exception of the above, there have been no other events subsequent to 30 June 2015 that would require accrual or disclosure in the consolidated financial statements.

Additional Securities Exchange Information

As at 10 September 2015

1. Number of holders of equity securities

833,330,946 fully paid ordinary shares are held by 3,695 individual shareholders.

40,800,000 unlisted options and performance rights are held by 9 individuals.

2. Voting rights

In accordance with the Company's constitution, on a show of hands every shareholder present in person or by a proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by a proxy, attorney or representative has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the existing issued fully paid ordinary shares.

3. Distribution of shareholdings

Holdings	Number of shares
< 1,000	19,277
1,001 to 5,000	1,396,358
5,001 to 10,000	3,878,349
10,001 to 100,000	77,281,135
> 100,001	750,755,827
Holder of less than a marketable parcel	435

4. Substantial shareholders

Name	% Interest
MHC Fund Services Pty Ltd	7.78

The above shareholdings are disclosed pursuant to section 671B(3) of the Corporations Act 2001 but the relevant interests shown do not necessarily represent the beneficial interest in the share capital of the Company or parties concerned.

5. The 20 largest holders of quoted equity securities

Ranking	Shareholder	Number of shares	% Held
1.	MHC Fund Services Pty Ltd	64,836,456	7.78
2.	Timothy R B Goyder	33,500,000	4.02
3.	JP Morgan Nominees Australia Limited	33,459,286	4.02
4.	Calm Holdings Pty Ltd	26,385,459	3.17
5.	Orica Investments Pty Ltd	20,833,333	2.50
6.	HSBC Custody Nominees (Australia) Limited	17,687,470	2.12
7.	Mark C Jobling	17,107,000	2.05
8.	Hazardous Investments Pty Ltd	13,015,455	1.56
9.	Gremar Holdings Pty Ltd	12,500,000	1.50
10.	S & Y Ashton Nominees Pty Ltd	9,897,562	1.19
11.	Citicorp Nominees Pty Limited	8,994,297	1.08
12.	Raejan Pty Ltd	7,500,000	0.90
13.	Ginostra Capital Pty Limited	7,500,000	0.90
14.	D B Angliss Pty Ltd	7,000,000	0.84
15.	Stewart R Hosken	6,680,000	0.80
16.	Raynesford Investments Pty Ltd	6,600,000	0.79
17.	National Nominees Limited	6,450,716	0.77
18.	David L Baker	6,000,000	0.72
19.	Grant C Duff	5,782,251	0.69
20.	Henry J Deburgh	5,768,900	0.69

DIRECTORS

Chairman
Mr M Carnegie

Managing Director
Mr D Wrench

Non-Executive Director
Mr S Ashton

Non-Executive Director
Ms J Rowe

Non-Executive Director
Mr B Ostwald

Executive Director
Mr D Baker

COMPANY SECRETARY
Mr S McGuinness

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STOCK EXCHANGE LISTING

Australian Securities Exchange
Code: STX

Frankfurt and Munich
Stock Exchanges
Code: RJN


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