

Strike and Warrego align for joint development of West Erregulla

- Strike and Warrego have executed a binding Heads of Agreement for the joint development of the West Erregulla gas field.
 - Phase 1 gas processing capacity revised upwards to 80 TJ/d delivered.
 - Targeting Phase 1 FID before end Q1/21.
 - Gas balancing arrangement ensures joint venture alignment and seamless delivery of foundation gas sales.
 - JV approved the addition of WE-5 well to current drilling campaign.
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Strike Energy Limited (Strike - ASX: STX) today announced it has executed a binding Heads of Agreement (HOA) with joint venture partner Warrego Energy Limited (ASX: WGO) ("Warrego") to ensure both parties are aligned on the development of the West Erregulla gas field in EP469, onshore Perth Basin, Western Australia.

The HOA provides an agreed pathway for the Phase 1 development of West Erregulla including:

- Gas processing and plant capacity;
- Gas balancing and gas sales; and
- Optimisation of timing and alignment of critical activities including a Final Investment Decision (FID) and the current appraisal drilling campaign.

Phase 1 development of West Erregulla is subject to FID being taken by the parties by the end of Q1 CY2021, completion of definitive documentation for the gas processing arrangements, and completion of limited due diligence.

Upstream Development

On the back of substantial foundation gas sales by both parties, the joint venture has agreed a significant increase in Phase 1 capacity to 80 TJ/d delivered to the Dampier to Bunbury Natural Gas Pipeline (DBNGP). The Australian Gas Infrastructure Group (AGIG) remains the preferred proponent to build, own and operate the facility and will complete a supplementary FEED study for the larger capacity plant by the end of CY2020.

The joint venture partners plan to seek financing for the construction of the Phase 1 development on a co-ordinated basis. The partners expect to generate superior outcomes by following this process.

The joint venture is expected to be in a position to consider FID by the end of Q1 CY2021 following the drilling, testing and evaluation of the WE-3 and possibly WE-4 appraisal wells. The target date for first gas sales from West Erregulla remains mid-2022. The joint venture has also approved the addition of WE-5 to the current drilling campaign, but this well is unlikely to be drilled before FID is taken.

West Erregulla Gas Sales

Strike and Warrego have entered into a gas balancing arrangement to align the interests of both parties with respect to the difference in total contracted volumes and contract commencement dates for each foundation gas sales agreement. This will ensure the seamless delivery of sales gas to foundation gas customers and enable the joint venture partners to sell uncontracted gas on an equal basis.

Marketing of additional capacity over and above the foundation gas sales will continue, although further gas sales are not needed to achieve FID.

Strike Energy Managing Director & CEO Stuart Nicholls, said:

“This agreement with our Joint Venture partner provides greater certainty for the Phase 1 project development. Generating a fully aligned way forward will ultimately lead to a more competitive outcome across all facets of the project. We look forward to implementing our new agreement and preparing for the joint Final Investment Decision early next year”.

This announcement is authorised by Stuart Nicholls, Managing Director & Chief Executive Officer of Strike in accordance with the Company’s Continuous Disclosure Policy.

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