

CSBP commits to West Erregulla Phase 1 Gas Offtake

- CSBP converts gas offtake option to a firm supply agreement for 100 PJ
- Supply from West Erregulla Phase 1 expected to commence in 1H/2022

Strike Energy Limited (ASX: STX or “Company”) is pleased to announce it has agreed with CSBP to convert its gas supply option¹ to a firm 100 Petajoule gas offtake agreement at 25 TJ/day for approximately eleven years.

CSBP is a leading West Australian provider of agricultural, chemical and mining solutions to the agriculture and resources sectors. CSBP is a wholly owned subsidiary of Wesfarmers Chemicals, Energy and Fertilisers.

This foundation supply agreement supports Strike’s proposed development of Phase 1 of West Erregulla and, in turn, Strike’s strategy of rapid cashflow generation from the project so as to assist in financing and reduce the cost of capital of a larger expected Phase 2 development.

The agreement has a narrowing window delivery mechanism for first supply that will allow Strike to deliver all of its volume from day one, post commissioning. The option-agreement pricing model has been amended to a fixed price with annual escalation, which simplifies the agreements and supports both the delivery of material free cashflow from West Erregulla’s projected Phase 1 gas production and Strike’s return expectations.

With a firm offtake agreement with CSBP, a Tier-One customer in Western Australia’s domestic gas market, Strike now has a solid platform to secure a high-quality financing solution for the construction phase of the project.

The offtake agreement is subject to a Final Investment Decision on the West Erregulla project being taken which will enable the delivery of 25 TJ/day to CSBP expected to commence in 1H/2022.

Strike Energy Managing Director & CEO Stuart Nicholls, said:

“The conversion of the CSBP offtake option to a firm gas supply agreement is another important milestone for Strike as we execute our Perth Basin development strategy. Delivery of gas into this contract will see Strike generating strong free cash flow from 2022 to support organic growth via development and exploration activities throughout our Perth Basin portfolio.

“CSBP is a high-quality foundation customer, which has supported Strike since the discovery of this resource. The supply agreement meets Strike’s primary objectives of producing affordable and competitive energy for Western Australian businesses, with a key focus on WA domestic products.

“2020 has been a year that has seen Australia (and WA) refocus on its domestic economy, and Strike is proud to be in a position to support WA’s manufacturing sector through the provision of cost-effective, reliable energy. It is particularly pleasing to know that our gas will support the domestic manufacture of locally consumed products some of which are used by the farmers on the land in which we operate.”

¹ Refer ASX announcement dated 29 May 2019 <https://www.asx.com.au/asxpdf/20190529/pdf/445g2mwksf19c.pdf>



This announcement is authorised for release by the Managing Director and Chief Executive Officer in accordance with the Company's Continuous Disclosure Policy.

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