# ASX Announcement

29 July 2015

The Company Announcement Officer ASX Ltd
*via electronic lodgement*

## DUG AUSTRALIA CONFERENCE PRESENTATION – JULY 2015

Please find attached a presentation to be given by Mr David Wrench at the DUG Australia conference to be held at the Royal International Conference Centre in Brisbane today.

Yours faithfully

Sean McGuinness
Chief Financial Officer & Company Secretary

# STRIKE ENERGY LIMITED

# DUG CONFERENCE

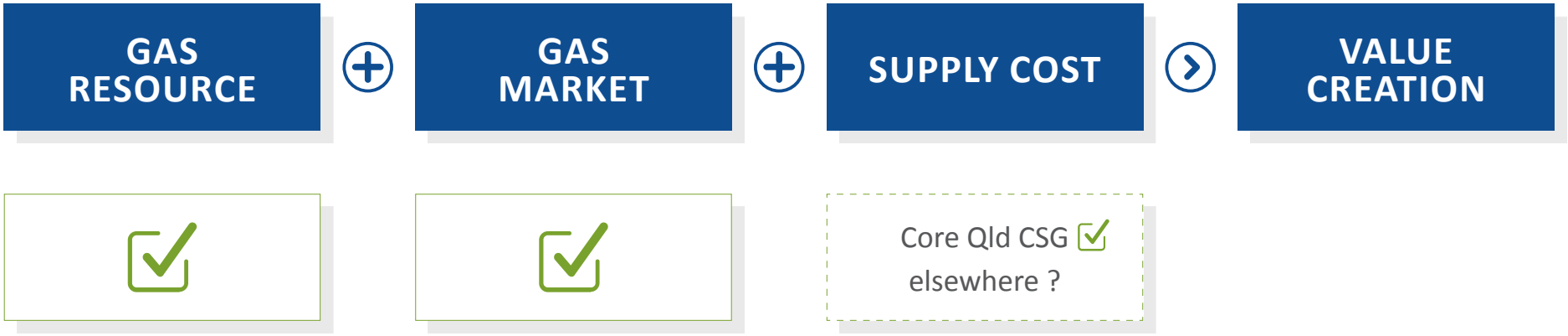
July 2015

Strike Energy

## Eastern Australian gas supply - are there new ‘sweet spots’ out there?

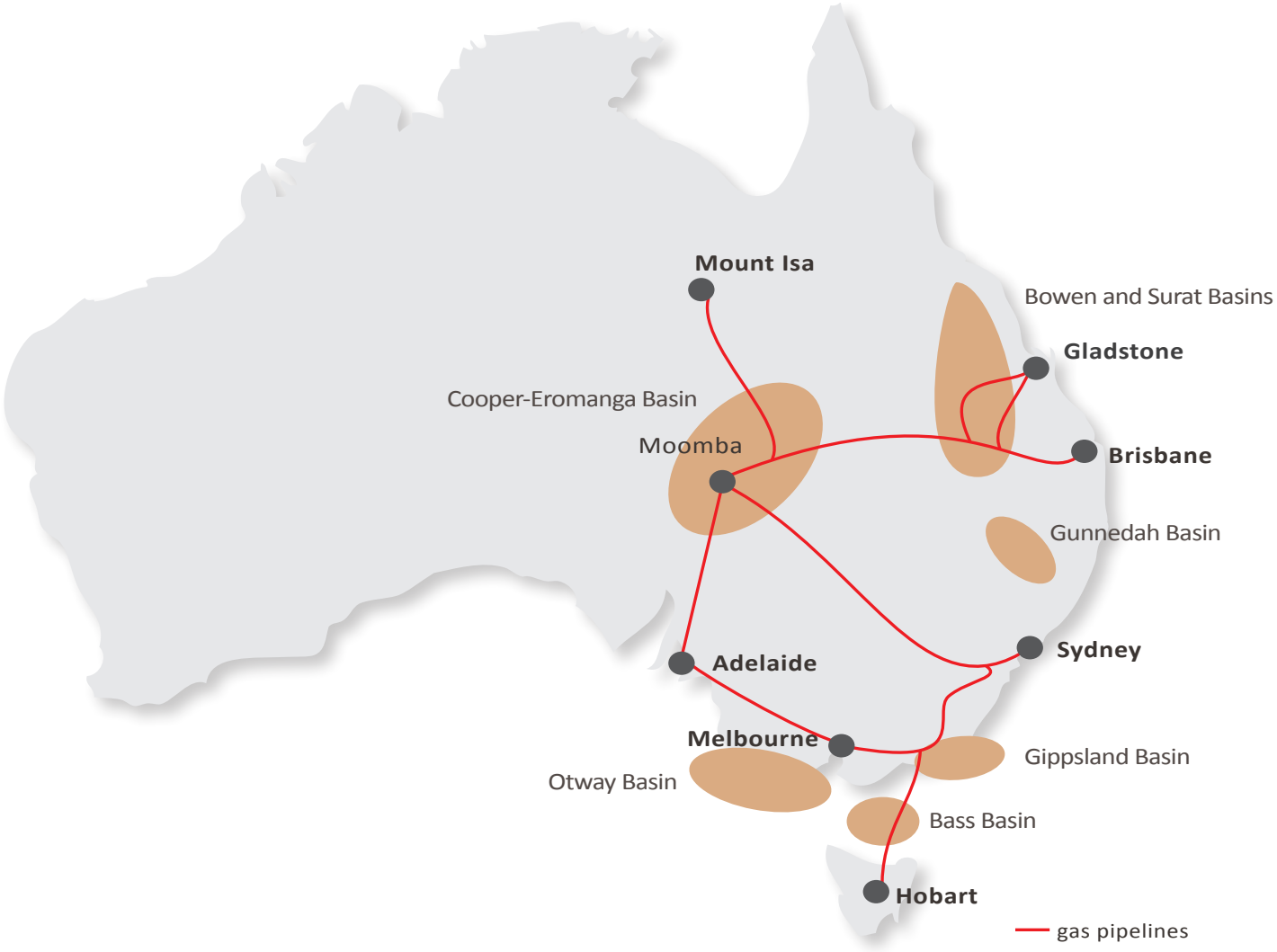
## Strike’s Southern Cooper Basin Gas Project - an emerging ‘sweet spot’

"An unconventional resource 'sweet spot' is that part of the resource that has the lowest unit cost economics and maximum value."



# Gas Resource: Eastern Australian hydrocarbon basins

Significant unconventional gas resources exist in the Cooper Basin and Queensland coal fields.



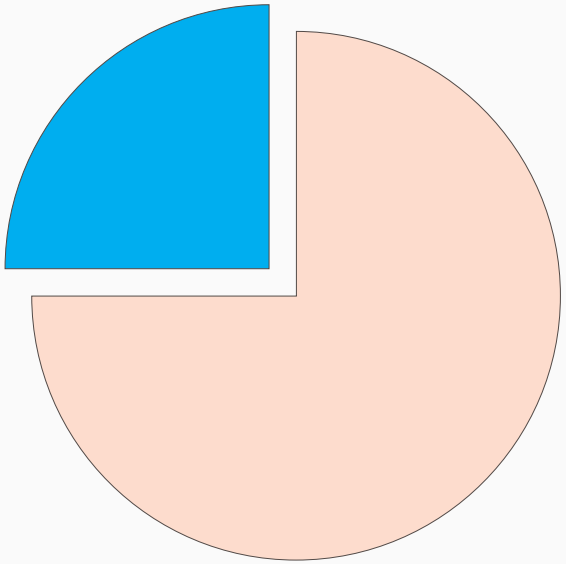

**No unconventional 'sweet spots' have been identified outside of core QLD CSG fields to date**

# Eastern Australian Gas Market: 20-year total demand

Over the 20-year period from 2020 to 2040, 40 Tcf of gas will be required to meet demand.

Export LNG projects will create 75% of this demand.

**Domestic demand**



10,000 PJ

**LNG Export demand [1]**


30,000 PJ

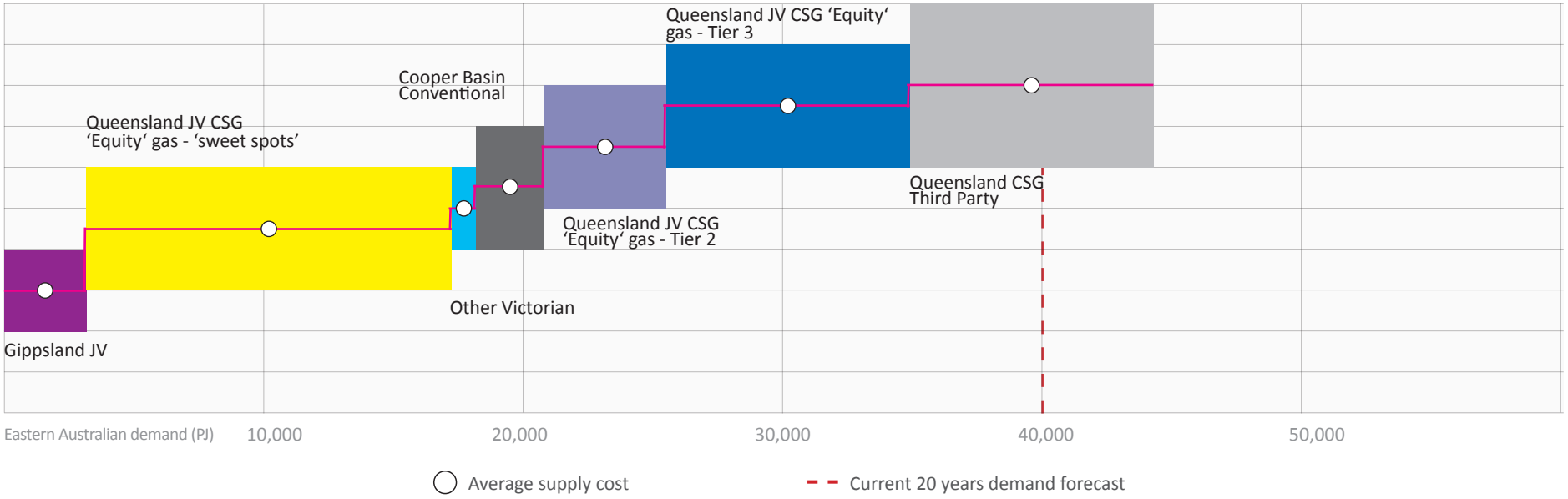
[1] Current LNG market forecast demand

**LNG projects will dominate the gas market**

# Supply cost: Cost curve

Strike's analysis highlights the steepness of the East Australian gas supply cost curve.

The discovery and development of new large scale lower cost gas resources could substantially lower input costs for gas users by substituting higher cost reserves.

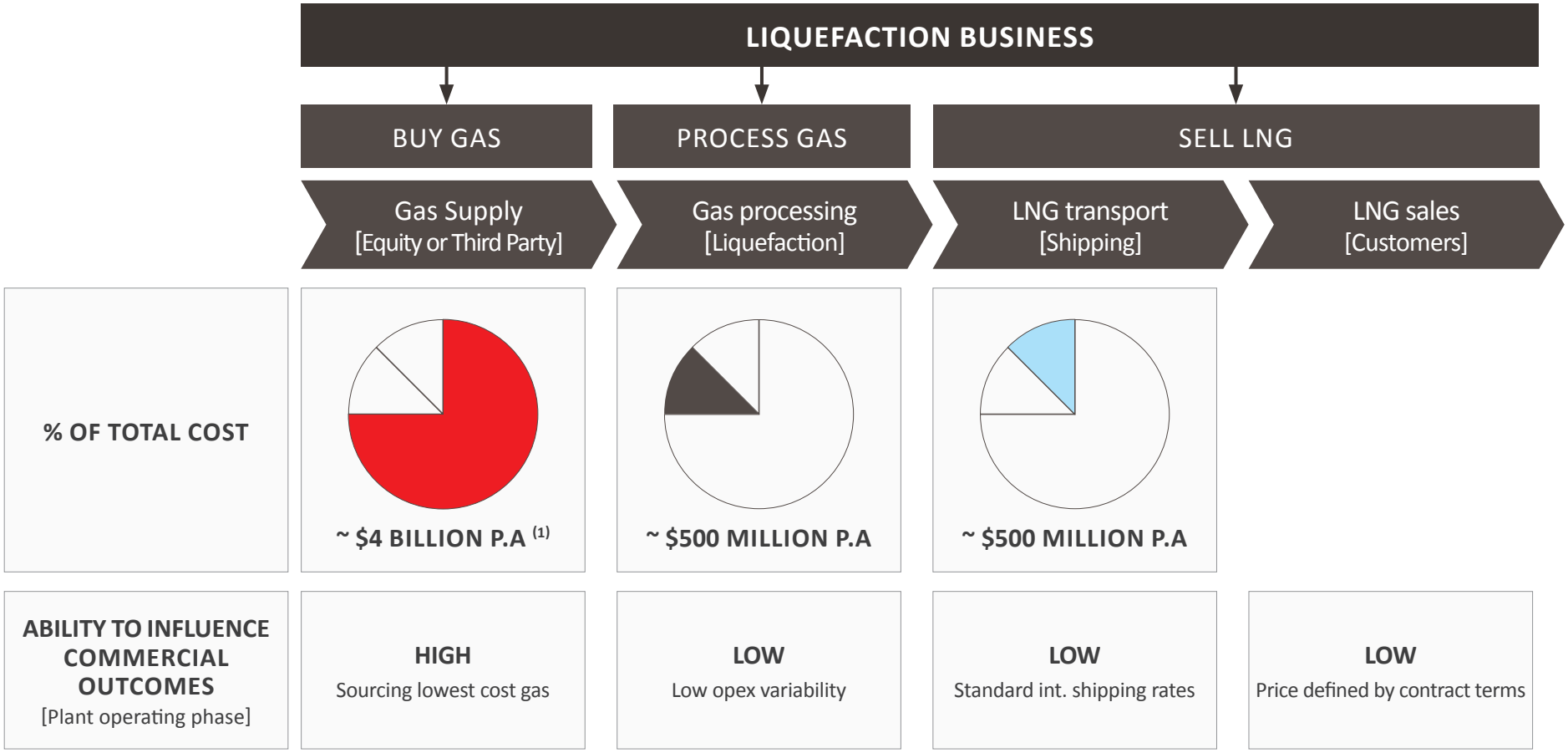



**New large scale lower cost resources are needed to displace higher cost gas**

# Supply cost: Liquefaction business

LNG liquefaction projects are merchant gas processing businesses. These businesses must source the lowest cost gas supply from the market, be that 'equity' or third party gas.

The cost of gas supply is the one area of the business value chain that can be highly influenced by ongoing 'make' or 'buy' decisions throughout the operating life of the liquefaction plant.




(1) Based on an estimated 500 PJ/annum at a gas sales price of $8/PJ.

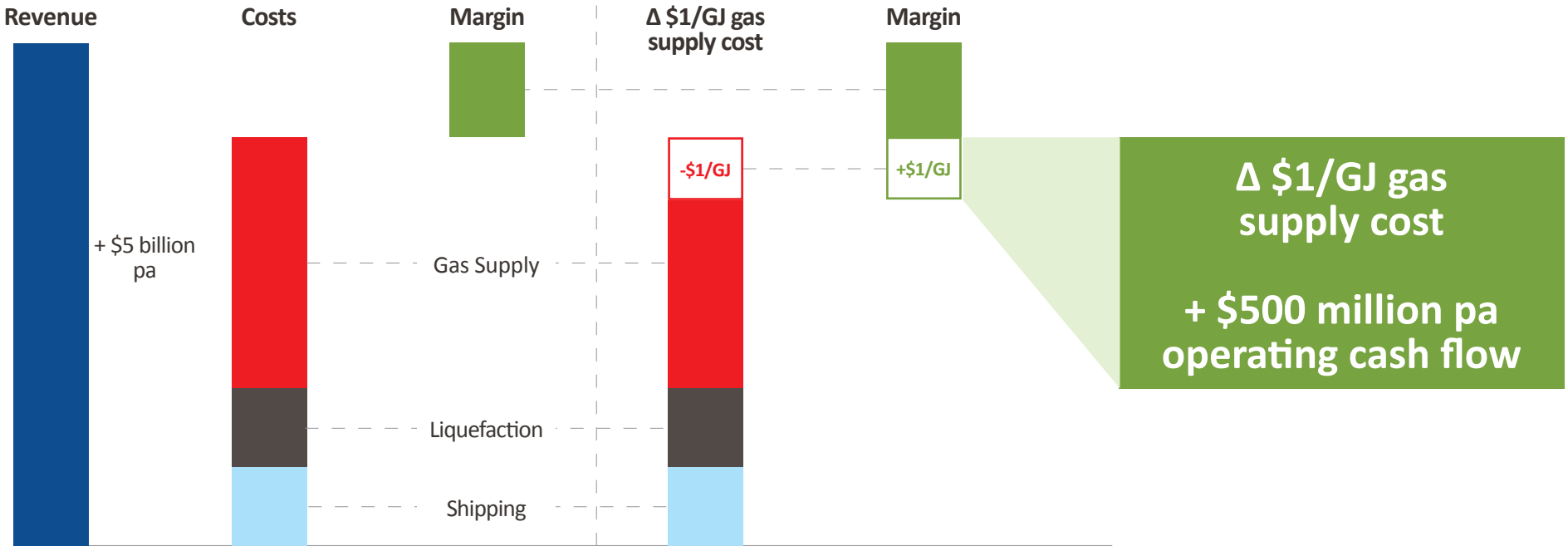
**Gas supply is the primary business cost**

# Supply cost: Focus moving to cost of supply

Dramatic changes in the Eastern Australia gas demand profile have been driven by construction of six LNG trains at Gladstone. These trains will account for 30 Tcf of the 40 Tcf demand profile over the next twenty years.

During the ramp-up phase the focus is on establishing rate of gas supply into the plants to ensure offtake commitments can be met. Post ramp-up phase the focus will move to the cost of gas supply to maximise future operating cash flows.

## 9 million tonne per annum LNG facility (two trains) – 500 PJ/annum – sensitivity to cost of gas supply




**Massive incentive for LNG facilities to source lowest cost gas supply**

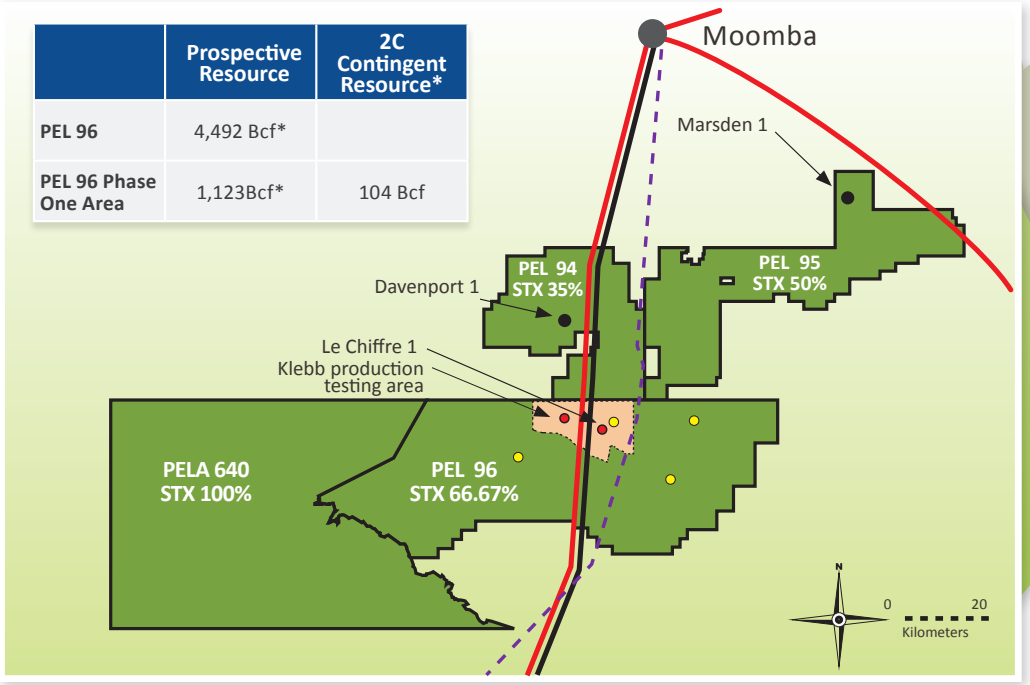
# Eastern Australian Gas Supply: Summary

| | |
|---|---|
| **Gas demand** | ~40 Tcf over twenty years; LNG the dominant gas buyer |
| **LNG merchant business** | Operating cash flows highly leveraged to gas supply cost |
| **Cost curve** | Eastern States gas market cost curve is very steep |
| **Addressable market** | 10 - 20 Tcf addressable market for competitive new gas supply |
| **Market opportunity** | The lower the cost, the larger the market |

**Strike's strategy is to be the leading independent gas supplier to the Eastern Australian gas market**

# Gas resource: Strike's Southern Cooper Basin Gas Project

| | Prospective Resource | 2C Contingent Resource* |
|---|---|---|
| PEL 96 | 4,492 Bcf* | |
| PEL 96 Phase One Area | 1,123Bcf* | 104 Bcf |





| PEL | Net STX Acres |
|---|---|
| PEL 94 | 77,925 |
| PEL 95 | 160,248 |
| PEL 96 | 443,880 |
| PELA 640 | 850,786 |
| **Total** | **1,532,839** |

* Mean estimate (net to Strike determined on a probalistic basis) per ASX announcement dated 19 Feb 2014 and adjusted for announced contingent resource estimate per ASX announcement dated 27 April 2015.

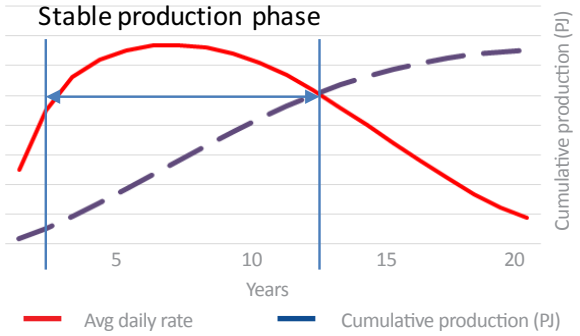
** The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.

**Strike has an ideally positioned long-life multi-Tcf resource directly connected to the ~40 Tcf Eastern Australian gas market**

# Unit Cost of Supply: Economics of Strike's Southern Cooper Coals

Strike's demonstrated cost structure will drive competitive unit production costs for wells that recover greater than 3PJ.

## Production type curve - long stable phase




## PEL 96 well full cycle costs (undiscounted) [1]

| | |
|---|---|
| Well capex (drill/complete/connect) | $3.5m |
| Other capex (gathering/processing) [1] + Opex | $13.5m |
| **Total** | **$17.0m** |

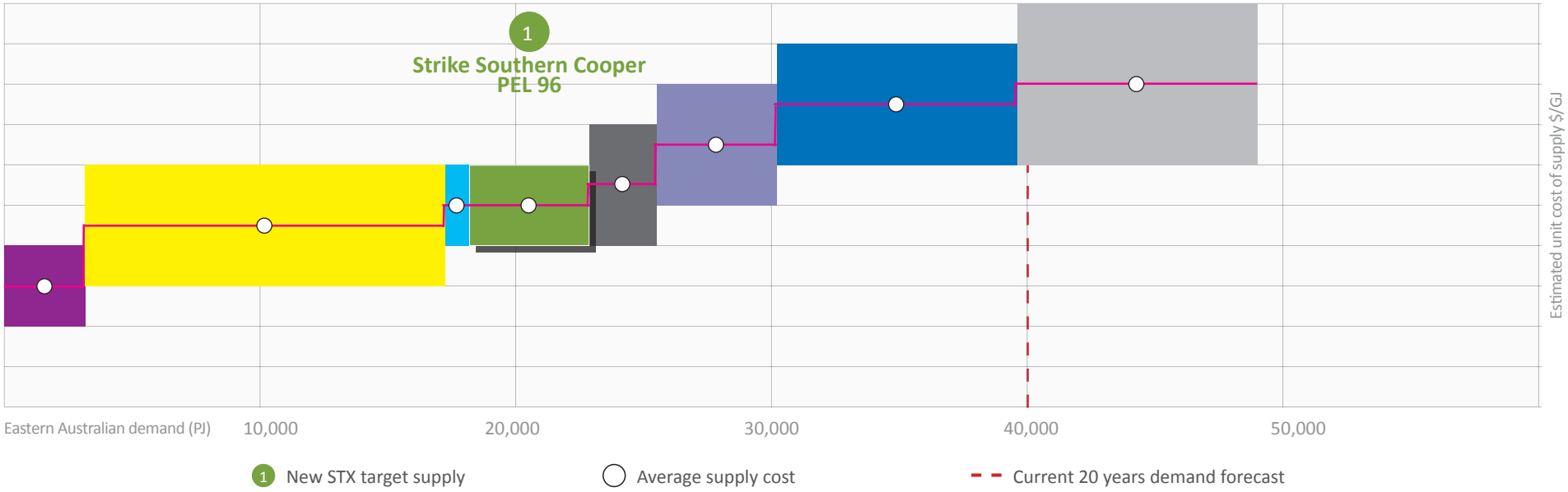
[1] Based on current Strike estimates

## Ex-field gas costs


**Strike is targeting a competitive positioning on the Eastern Australian gas cost curve**

# Unit cost of supply: Cost curve

Strike's Southern Cooper Basin Gas Project has the potential to be a low cost gas producer.

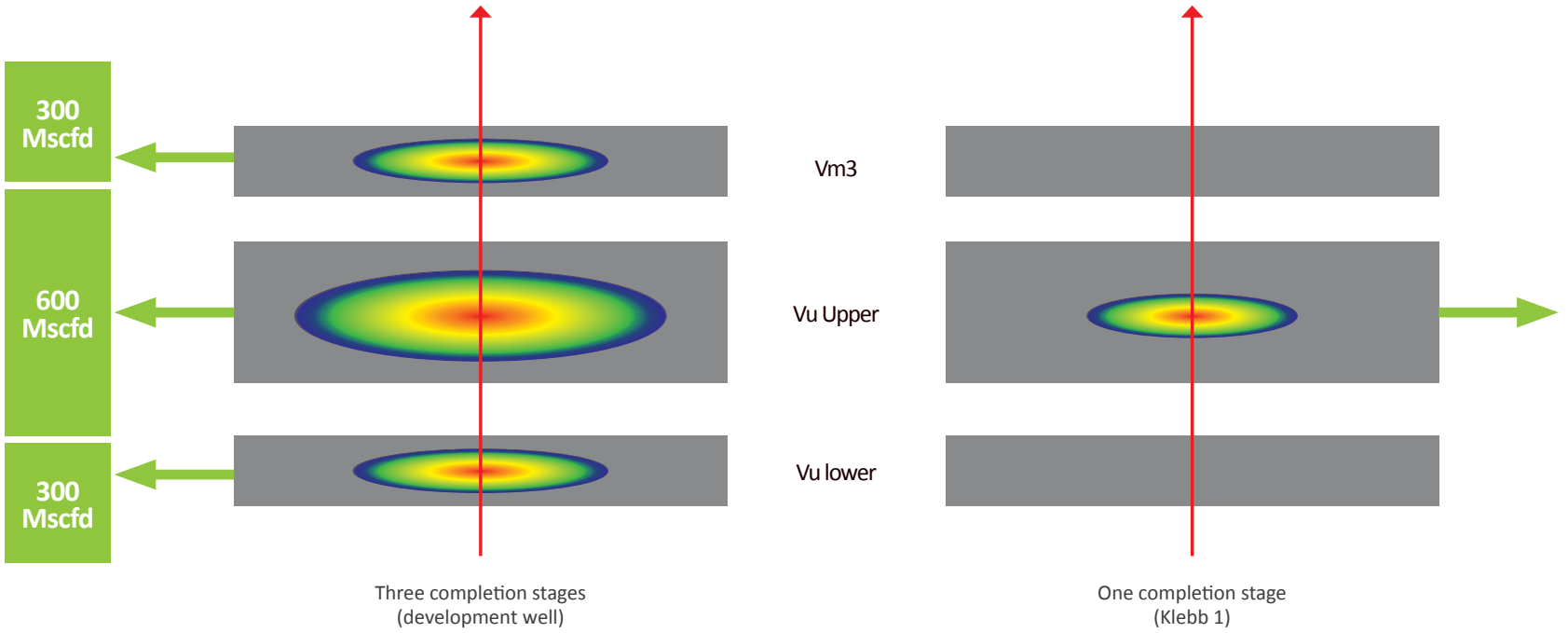



**The lower the unit cost the larger the market opportunity**

# Value Creation: Klebb 1 – flow test results

The Klebb 1 single stage flow test is a small scale test of potential flow rates achievable from a commercial development well.

| Development Well | | Klebb 1 Flow Test |
|---|---|---|
| Target commercial gas flow rate -> 1,200 Mscfd | Three completion zones >120,000 lbs frac per zone | Single stage Vu Upper <60,000 lbs frac |

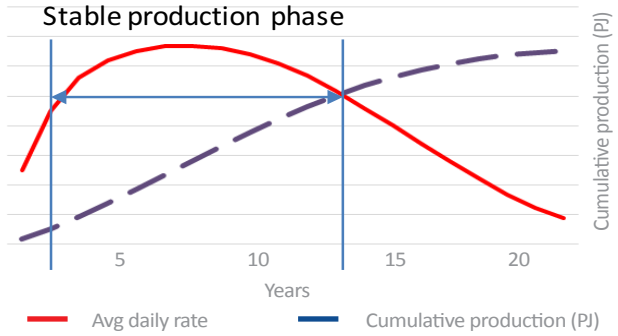



**Klebb 1 results need to be scaled to assess commercial potential**

# Value Creation: Future cash flow potential

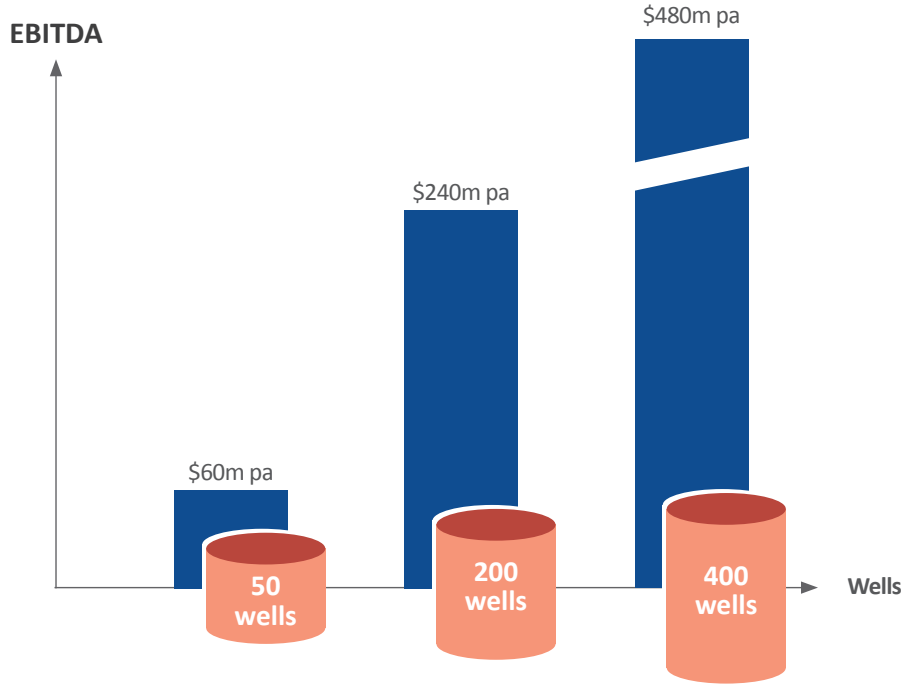
Strike is targeting a low unit cost of supply that will deliver strong operating cash flows in the stable production phase. Future value will be driven by per well operating cash flows and the size of the resource in Strike's permit areas that could ultimately be commercialised.

## PEL 96 - Target cash flow per well




- 67% of a well's gas is typically recovered over a long stable production phase
- At a stable rate of 1,200 Mscf per day a well has the potential to generate operating cash flow of $1.2m per year

## PEL 96 - Operating cash flow potential [1]




[1] Based on Strike estimates with that each well generating $1.2 M in operating cashflow p.a.

**Portfolio of 50 wells could generate EBITDA of ~$60m per year**

# Strikes Southern Cooper Basin Gas Project: An emerging 'sweet spot'

| GAS RESOURCE | GAS MARKET | UNIT COST OF SUPPLY | VALUE CREATION |
|---|---|---|---|
| PEL 96 prospective resource<br>4.5 Tcf (net STX) | Cost of supply defines available market<br><br>10 - 20 Tcf addressable market for competitive new gas supply | Full life cycle well cost / EUR<br><br>STX potential ex-field cost < $4.50/GJ | Operating cash flow<br><br>STX potential >$1.2m EBITDA per well p.a. |
| ☑ | ☑ | Current appraisal program | Future development |

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**Contingent Resource Estimate**

DeGolyer and MacNaughton was engaged by Strike to undertake an Independent Review of the gas resource in PEL 96 based on the data and information acquired to date by Strike from the drilling and flow testing programs carried out at the Le Chiffre 1 and Klebb 1, Klebb 2 and Klebb 3 wells.

DeGolyer and MacNaughton has estimated a contingent gas resource on a probalistic basis for the initial zones that have been flow tested within the Le Chiffre 1 and Klebb 1 wells. As these zones only represent a portion of the net coal encountered at these locations, successful flow testing of additional zones will enable an increased contingent resource to be booked.

The table below summarises the Contingent Resource Estimates.

| | Contingent Gas Resource Estimates - PEL 96[1] | | |
|---|---|---|---|
| **Well** | 1C[2] | 2C[2] | 3C[2] |
| **Productive area (acres)** | 2,171 | 2,938 | 3,931 |
| **Le Chiffre 1 - Patchawarra Vu Upper and Vu Lower zones (bcf)** | 62.9 | 93.2 | 132.4 |
| **Klebb 1 - Patchawarra Vu Upper zone 9 (bcf)** | 42.1 | 62.2 | 93.3 |
| **Total Gross Contingent Resource (bcf)** | 105.00 | 155.4 | 225.7 |

1. Contingent Resource Estimates have been prepared in accordance with the Petroleum Resources Management System "PRMS". Contingent Resource Estimates are those quantities of gas (produced gas less carbon dioxide and fuel gas) that are recoverable from known accumulations but which are not yet considered commercially recoverable.

2. 1C, 2C and 3C estimates in this table are P90, P50 and P10 respectively for each well and have been summed arithmetically

3. Net to Strike's 66.7% interest in PEL 96

# Important Notice

**Competent Persons Statement**

*The information in this presentation that relates to the PEL 96 contingent resources estimate has been taken from the independent reports as prepared by DeGolyer and MacNaughton, a leading independent international petroleum industry consultancy firm, and has been reviewed by Mr Chris Thompson (Chief Operating Officer of the Company). All other reported resource and or reserves information in this presentation is based on, and fairly represents, information prepared by, or under the supervision of Mr Thompson.*

*Mr Thompson holds a Graduate Diploma in Reservoir Evaluation and Management and Bachelor of Science Degree in Geology. He is a member of the Society of Petroleum Engineers and has worked in the petroleum industry as a practicing reservoir engineer for over 20 years. Mr Thompson is a qualified petroleum reserves and resources evaluator within the meaning of the ASX Listing Rules and consents to the inclusion in this release of the resource and or reserves information in the form and context in which that information is presented.*

**About DeGolyer and MacNaughton**

*The information contained in this release pertaining to the PEL 96 contingent resources estimate is based on, and fairly represents, information prepared under the supervision of Mr Paul Szatkowski, Senior Vice President of DeGolyer and MacNaughton. Mr Szatkowski holds a Bachelor of Science degree in Petroleum Engineering from Texas A&M, has in excess of 40 years of relevant experience in the estimation of reserves and contingent resources, and is a member of the International Society of Petroleum Engineers and the American Association of Petroleum Geologists. Mr Szatkowski is a qualified petroleum reserves and resources evaluator within the meaning of the ASX Listing Rules and consents to the inclusion of the contingent resource estimate related information in the form and context in which that information is presented.*