

# Strike to progress drilling at Walyering via farm-out

- Strike to farm-out a 45% non-operated interest in Walyering (EP447) to Talon Petroleum in exchange for a \$6m free carry in upcoming appraisal well.
- Walyering appraisal well to be added to CY21 Perth Basin drilling program.
- Success at Walyering will revalue Strike's 1,853km<sup>2</sup> acreage position across the Jurassic wet-gas play.

Strike Energy Limited (**Strike** - ASX: STX "Company") is pleased to announce it has agreed terms with ASX listed Talon Petroleum Limited (**Talon**) for the acquisition by Talon of a 45% non-operated interest in Walyering (EP447) and formation of an unincorporated Joint Venture for the appraisal and, if warranted, development of Walyering.

The completion of the transaction is subject to the execution of definitive transaction documentation and obtaining ministerial approval to the transaction.

On completion of the farm-out, the working interests in Walyering (EP447) will be Strike 55% and Talon 45%. Strike will remain operator of the permit and of the Joint Venture.

Farming out Walyering is in line with Strike's strategy of accelerating production of large volumes of domestic gas from its Perth Basin portfolio in order to capture additional market share during a period of expected supply shortage during the mid-part of the decade.

Walyering benefits from being a discovered resource that has both excellent seismic and well control, and which is in close proximity to major infrastructure and existing industrial gas users. Walyering makes an excellent test-case for the geotechnical work Strike has carried out across the Jurassic Wet Gas Play in the Cattamarra sequence (*refer to accompanying presentation entitled 'Walyering Gas Field Appraisal Program'*).

Should the appraisal drilling prove up a commercial development, then Strike expects this will be a catalyst for a material uplift in valuation of its 1,853 km<sup>2</sup> acreage position across the play.

Forming a Joint Venture at Walyering will allow Strike to accelerate a potential development opportunity whilst offsetting associated expenditure, thereby enabling Strike to continue to focus its balance sheet on the capital required for the planned West Erregulla development. Additionally, with a rig in the Perth Basin to drill the West Erregulla wells, Strike has the opportunity to benefit from potential cost savings by adding a Walyering appraisal well into its drilling program.

## **Strike Energy Managing Director & CEO Stuart Nicholls, said:**

*"The acceleration of the Walyering appraisal will add to what is a very exciting coming 12-months for the company. This includes the West Erregulla wells, the targeted Phase 1 FID and now the potential to have a second gas resource progressing into development.*

*"Whilst the Greater Erregulla development remains the company's primary focus, Strike is making the most of this current low-cost environment. Walyering is a perfect example of the value that can be generated through offsetting costs from an operationally concentrated portfolio with geological diversification.*

“Under the new leadership of Mr. David Casey, Talon Petroleum will make an excellent partner as Mr. Casey and Strike have a history of productive and successful operations together from when he served as Australian CEO for Warrego Energy. Strike looks forward to working with Talon throughout the Walyering appraisal campaign.”

Key Terms of the proposed transaction are as follows:

- **Carry:** Talon will free carry Strike for the first \$6m of a proposed \$9m of costs incurred by the Joint Venture in relation to the drilling and completing of one well and associated geological and geophysical studies within the permit (including related administrative costs) to earn in a 45% non-operated working interest in EP447.
- **Joint Venture:** Strike and Talon will form an unincorporated Joint Venture (55% Strike: 45% Talon) with Strike as operator.
- **Additional Right:** Talon will be offered a first right of refusal, valid for a 5-year period following execution of the Transaction Documents, on the farm-in rights for Ocean Hill EP495 should Strike commence marketing of a potential farm-out of that permit.
- **Conditions Precedent:** The transaction is subject to execution of definitive transaction documents and ministerial approval to the transaction.
- **Security:** Talon will pay Strike \$1 million as security for Talon’s free carry obligations.

## Walyering – EP447

*(Walyering Gas Field Appraisal Program presentation attached)*

The Walyering conventional gas discovery was made in the Cattamarra Coal Measures (at an approximate depth of 3,400m SS), a play that has been proven to support commercial production from the gas projects at Gin-Gin and Red Gully.

The permit covers 1,110 km<sup>2</sup> and was acquired in 2018. Since acquisition Strike has generated 90km<sup>2</sup> of 3D seismic over Walyering in late 2019 which has markedly improved Strike’s confidence in both Walyering and the Jurassic wet gas play. This high-resolution data indicates the presence of wet-gas accumulation up dip of the Walyering-4 well location.

Walyering is strategically advantaged in its location being situated between WA’s two major gas transmission lines and with gas that flowed from Walyering-1 only measuring 1% CO<sub>2</sub> and flowing at 13.5mmscf/d. Furthermore, major industrial gas users are located in the immediate area, who have known uses for both the gas and condensate streams locally. Both of the above translates into a potentially very low cost and fast paced development which would avoid the need for significant infrastructure.

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**strike  
energy**

**Walyering Gas Field  
Appraisal Program**



**July 2020**

**Summary information**

This presentation contains summary information regarding Strike Energy and its subsidiaries current as at 20<sup>th</sup> July 2020. The information in this presentation is of general background only and does not purport to be complete. The contents of this presentation should be considered in conjunction with Strike Energy's other announcements lodged with the Australian Securities Exchange available at [www.asx.com.au](http://www.asx.com.au).

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**Information regarding Resource Estimates**

Information in this presentation relating to:

- the Oceanhill 2C Contingent Resource is sourced from the ASX Announcement of Greenrock Energy Limited (ASX:GRK) dated 4 October 2013 titled "Ocean Hill Independent Resource Certification". Strike Energy interest is 100%; and
- the Walyering Prospective Resource is sourced from the ASX Announcement dated 09 June 2020 titled "Greater Erregulla & Walyering Update". Strike Energy interest is currently 100%.

Strike Energy confirms it is not aware of any new information or data that materially affects the information included in the referenced announcements and that all the material assumptions and technical parameters underpinning the estimates in those announcements continue to apply.

**Competent person's statements**

The information in this presentation that relates to resource estimates is based on information compiled or reviewed by Mr A. Farley who holds a B.Sc in Geology and is a member of the Society of Petroleum Engineers. Mr A. Farley is Exploration Manager for the Group and has worked in the petroleum industry as a practicing geologist for over 17 years. Mr A. Farley has consented to the inclusion in this report of matters based on his information in the form and context in which it appears.

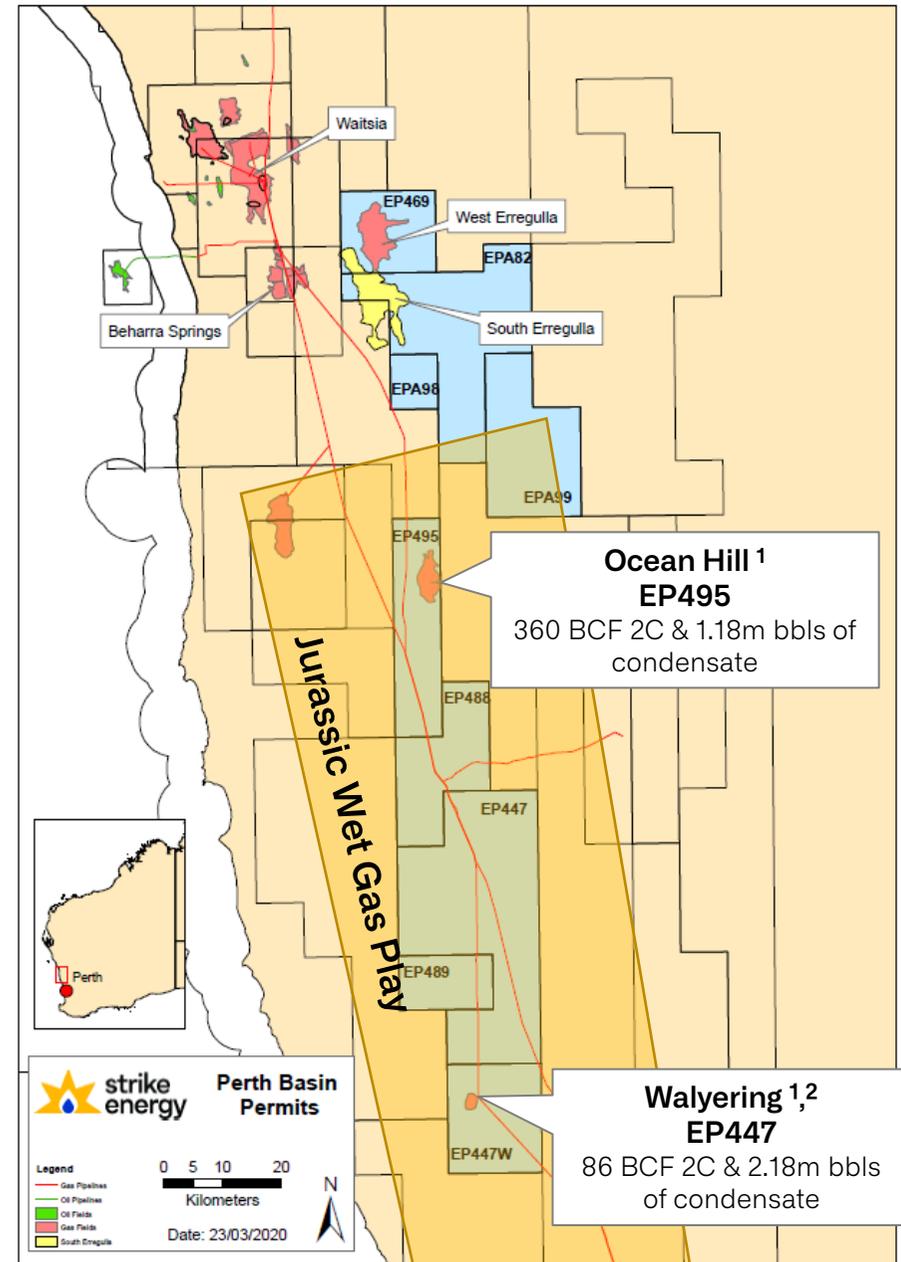
Mr Tony Cortis (M.Sc. Geology) of Igesi Consulting has consented to the inclusion in this report of matters based on his information in the form and context in which they appear. Mr Cortis has over 30 years of industry experience, 28 of which were with Shell International, and is a member of APEGA and the AAPG. He has extensive technical and delivery experience in all three Unconventional Resource play types: tight clastic, shale and coal bed reservoirs. He has actively worked on CBM projects in the Bowser Basin, the Western Canada Sedimentary Basin and in the Ordos Basin of China. He has also worked on numerous conventional clastic and carbonate plays worldwide.

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## Farming out Walyering supports Strike's growth strategy in the Jurassic Wet Gas Play

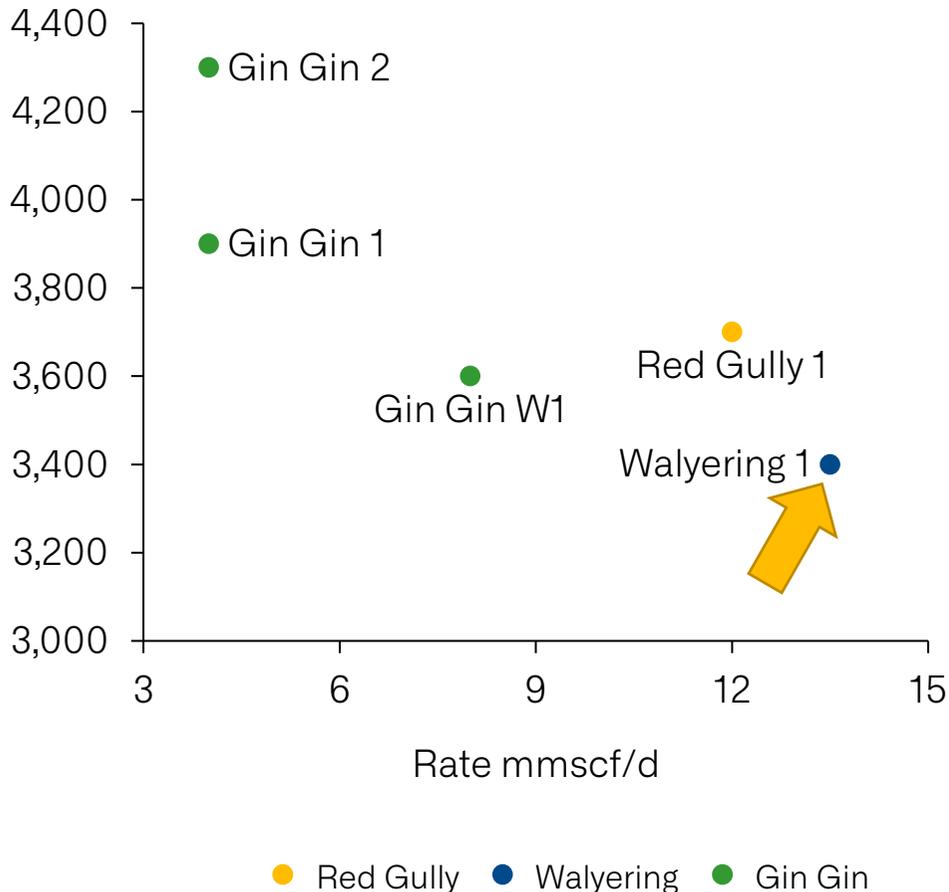
- Strike has a commanding acreage position across the Jurassic wet gas play (1,853km<sup>2</sup>).
- Trend is bounded by discoveries in the North (Ocean Hill) and South (Walyering)
- The play has historically supported commercial production (Red Gully & Gin-Gin).
- Farm-out of Walyering will accelerate appraisal drilling into CY21.
- Strike will add a Walyering well into its Perth Basin drilling program with the opportunity to realise potential cost savings as a result.

**Successful appraisal at Walyering will trigger a re-valuation across Strike's Southern Perth Basin portfolio**



<sup>1</sup> Refer Important Notice on slide 2 for Resource Estimate information. **2. Prospective resource estimate cautionary statement:** The estimated quantities of petroleum that may potentially be recovered by the application of a future exploration and development project(s) relate to undiscovered accumulations. These estimates are un-risked and 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 moveable hydrocarbons.

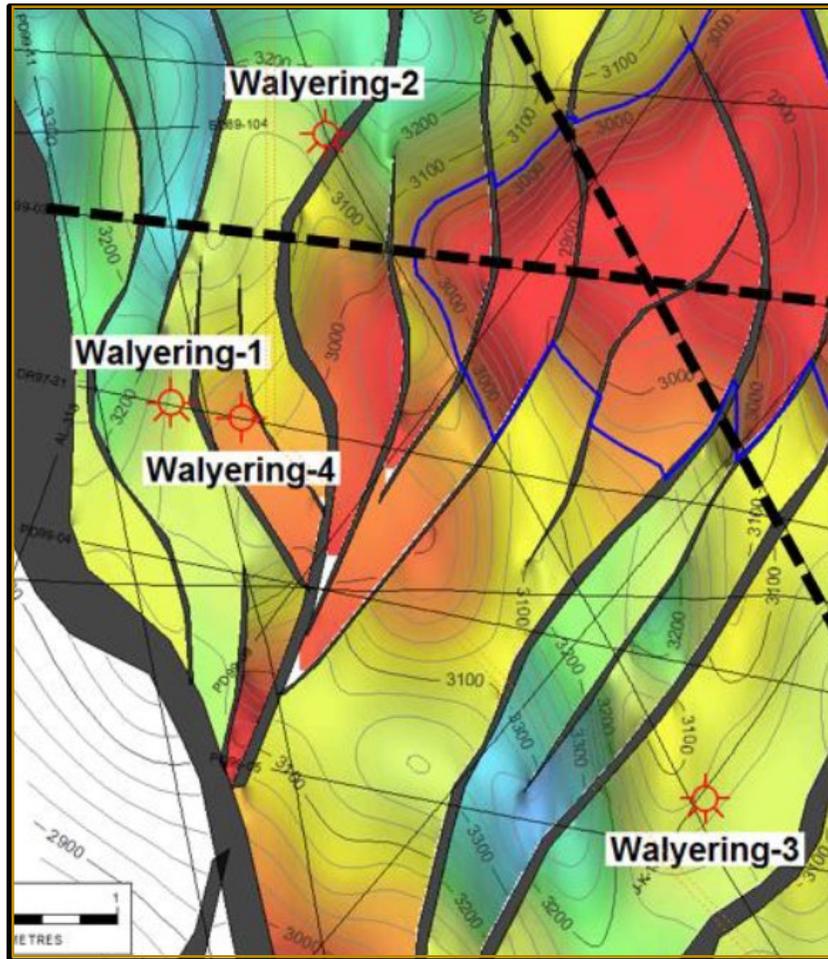
## Jurassic Cattamarra Historical Flow Rates



- Some historical well results show that the Cattamarra has great potential, but the full well catalogue has had mixed outcomes.
- Porosities of sandstones in the Cattamarra have been seen to exceed 14%.
- Regional issues with Cattamarra success have been:
  1. The Cattamarra contains lithic-rich, immature sediments. This results in generally lower permeability caused by (a) quartz grain suturing and (b) high clay (kaolinitic) matrix.
  2. Compartmentalisation of reservoirs causing rapid depletion of wells.
- To generate success, wells need to target coarser-grained, thick sand packages and understand compartmentalisation

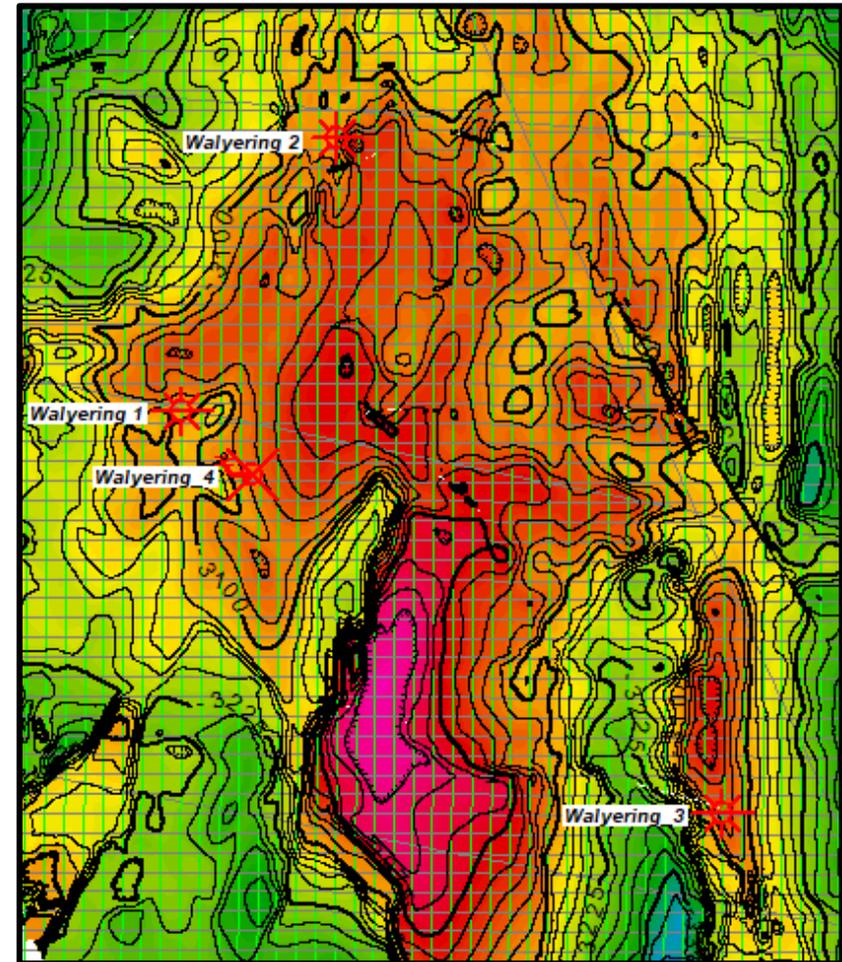
**New Walyering 3D has provided the greatest resolution of this play to date**

Walyering 2D map: near A Sand



Old Map: 2D Based Depth Structure

Walyering 3D map: near A Sand

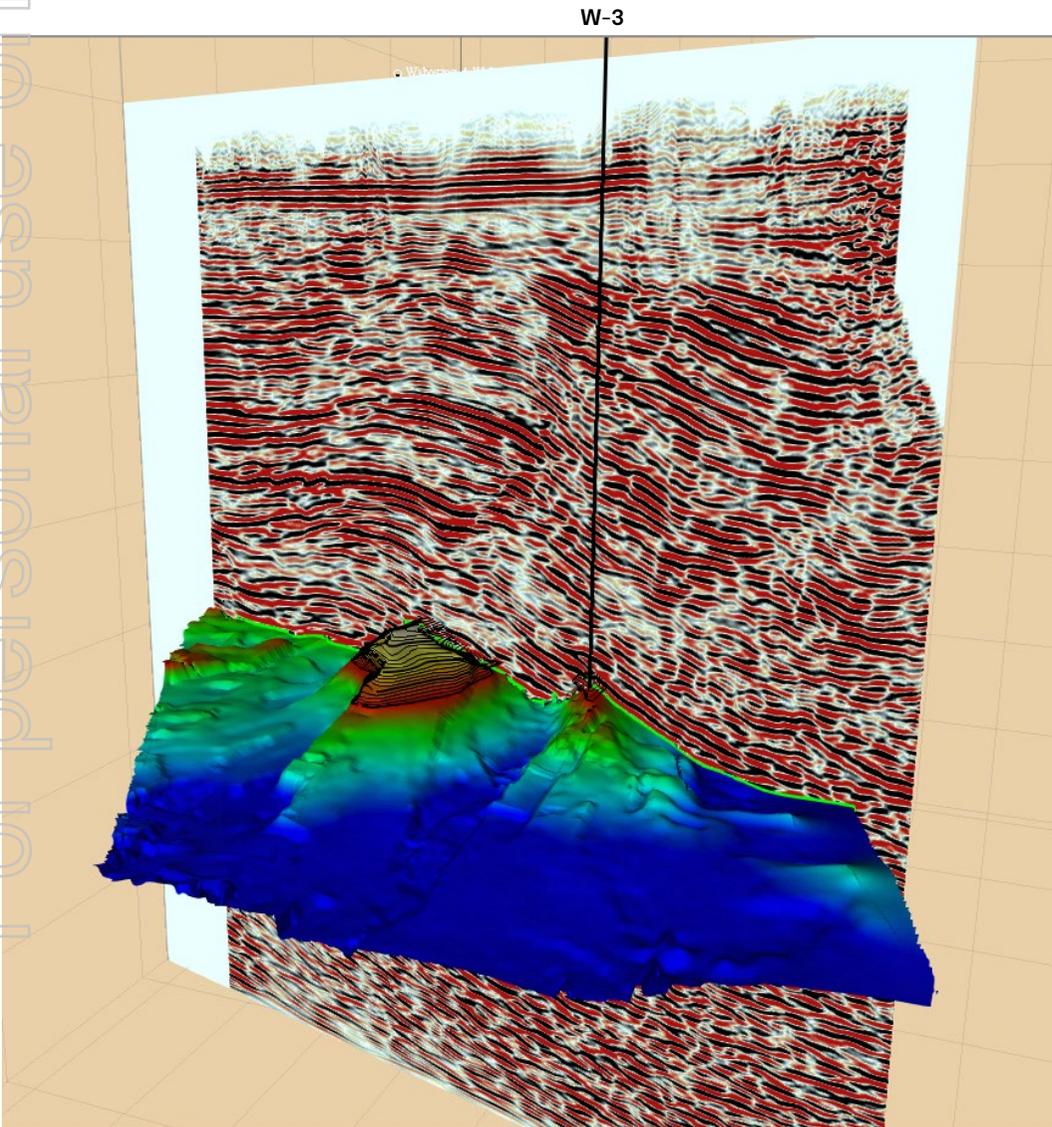


New Map: 3D Based Depth Structure

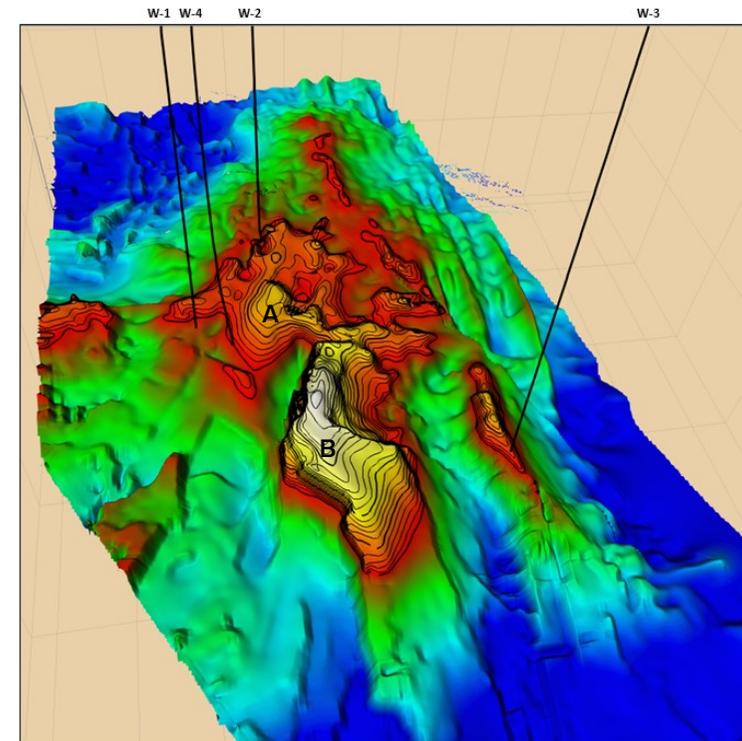
3D data has resulted in marked improvement in structural resolution and understanding

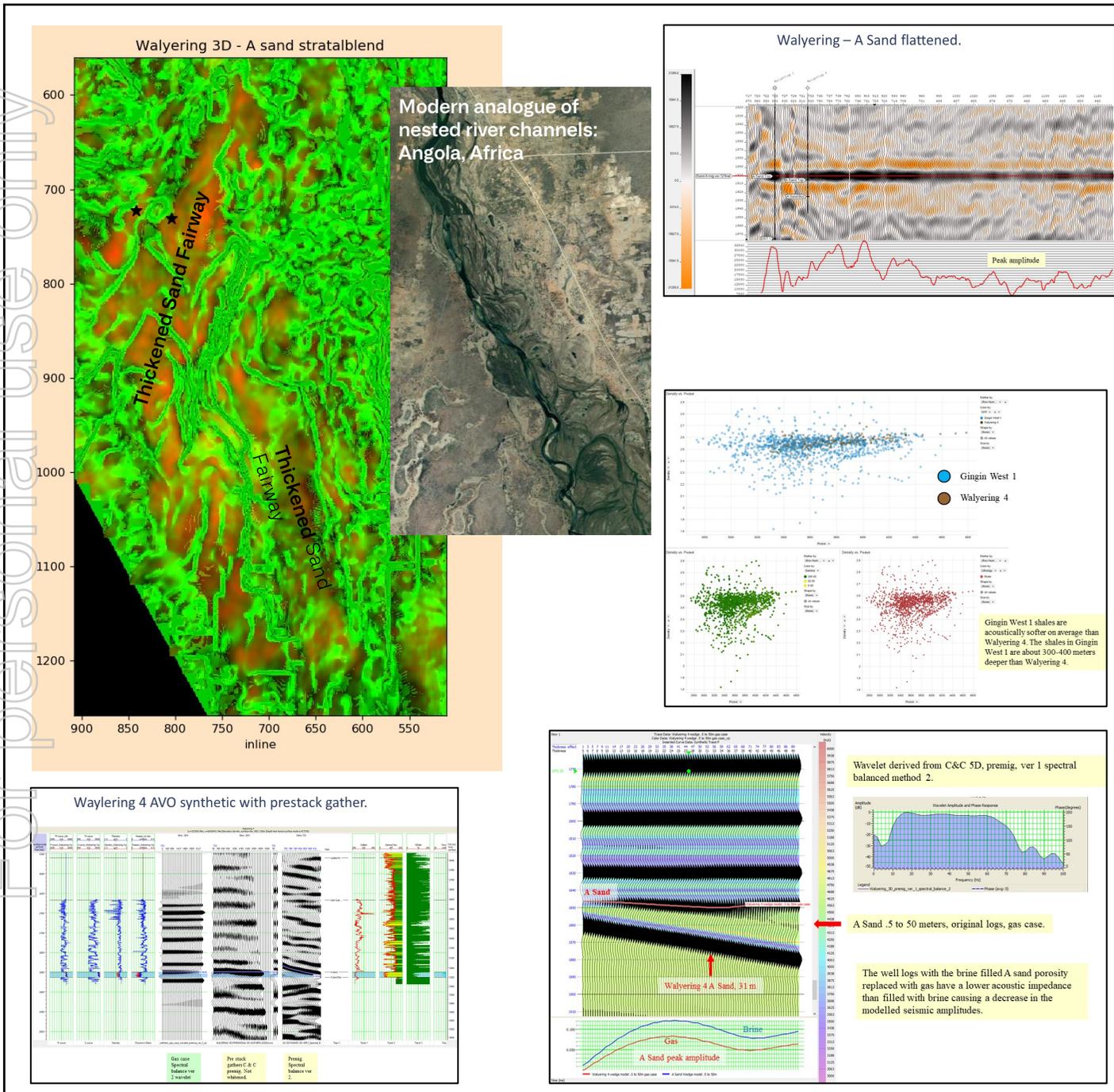
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**Walyering A-Gas Sand**  
 3D rendered Time Structure map with arbitrary line from 3D survey illustrating structural style.



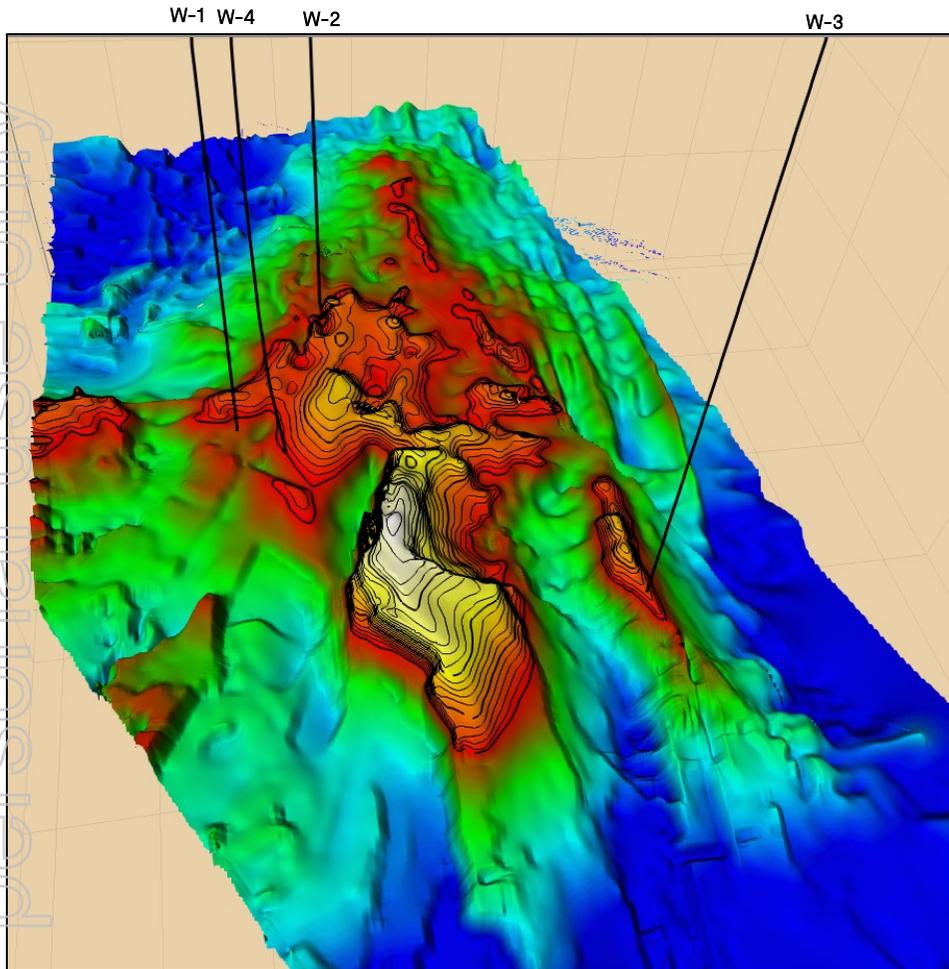
- The Walyering structure comprises several linked fault blocks in an extensional setting.
- These fault blocks are linked to form a grossly antiformal structure with 4-way dip closure.
- Main closure updip of Walyering-4 comprises two separate, compartmentalised fault blocks – a hangwall rollover in the North and a Footwall high in the South-central part of the survey.
- Observed geometries and amplitudes correlate well with historical 4 wells drilled in and around the structure.



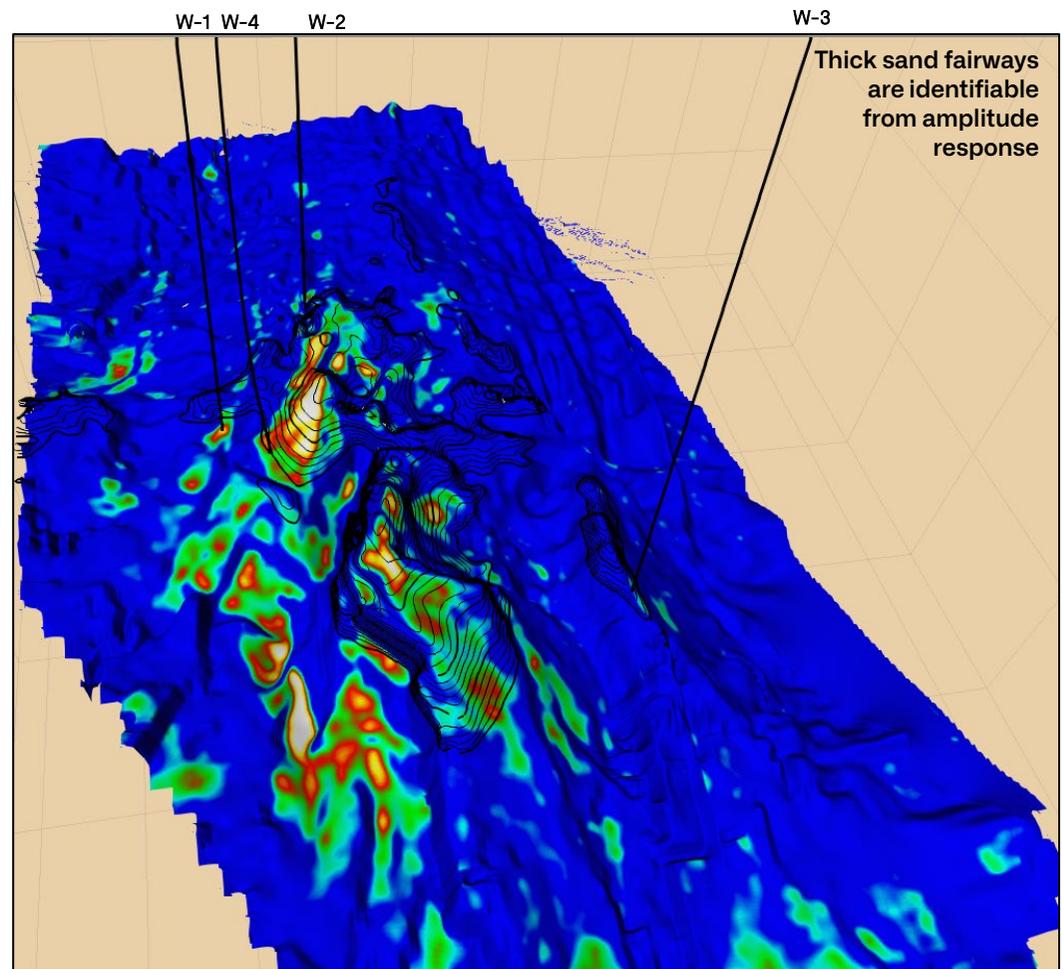


## Key Takeaways from QI: Rock Physics, AVO, Wedge Modelling etc:

- Seismic facies maps (which combine amplitude and other reflector characteristics) – reflects lithological trends
- Fairways of thickened sands are identifiable across both Walyering fault blocks.
- Wedge modelling indicates lithology is the primary driver of amplitude response. Thickened sand fairways result in a pronounced amplitude increase.



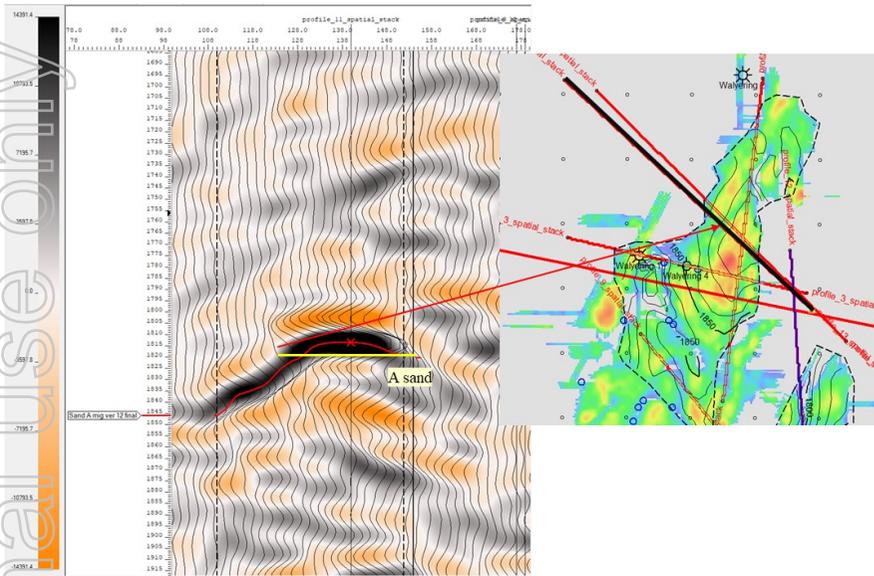
**Walyering A-Gas Sand**  
3D rendered Time Structure map illustrating main structural closure and subsidiary internal fault compartments.



**Walyering A-Gas Sand**  
Peak Amplitude map

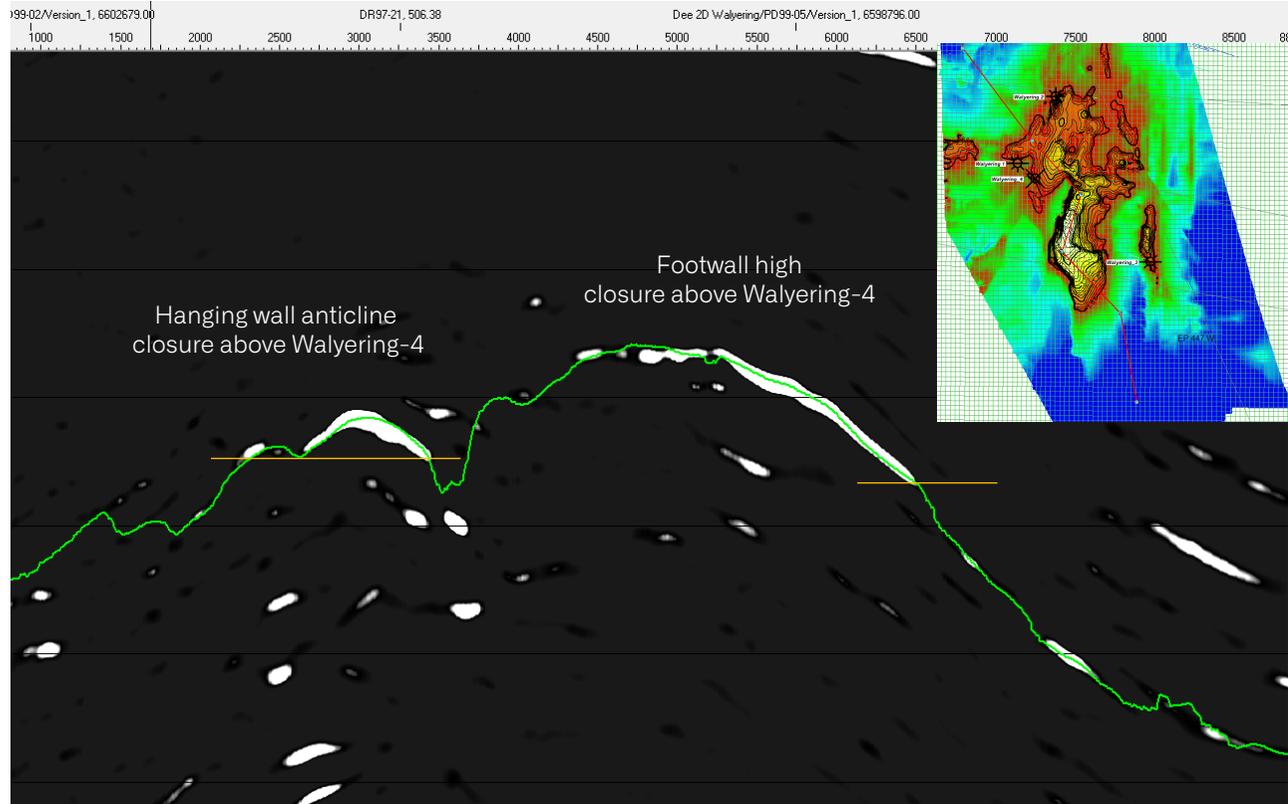
- Amplitudes in the A-sand form a pseudo-linear pattern suggestive of fluvial channels.
- Some amplitudes appear structurally conformable (see above W-4) other blooms occur in small fault panels downdip of mapped structural closure (i.e. W-1).
- Modelling shows amplitude blooms are primarily lithological with secondary influence from fluid-fill.

Spatial stack profile 13. 31 traces stacked.

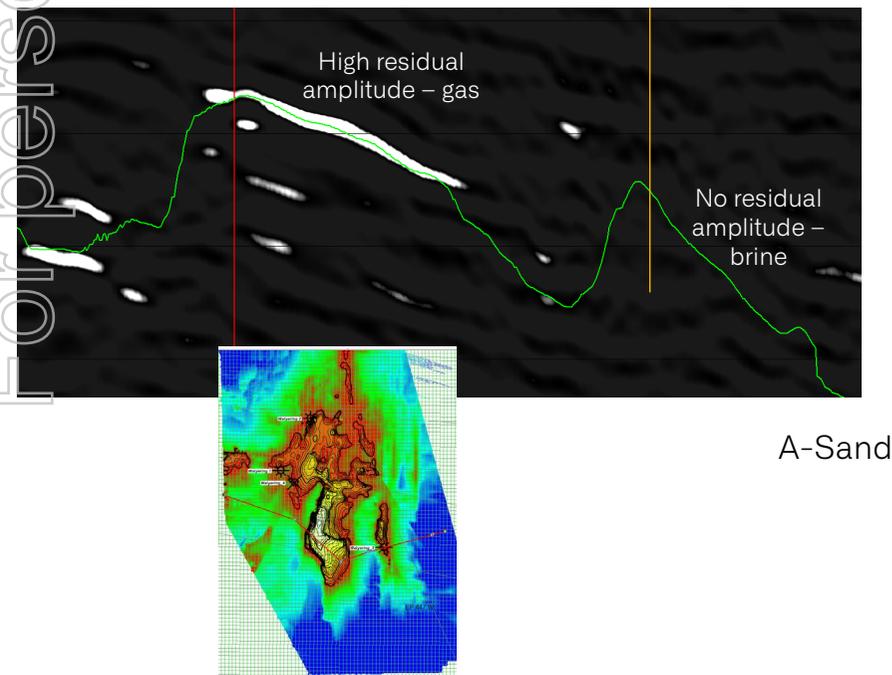


- Optical Stacks and Spatial stacks image common events from dozens of seismic slices. Opacity is set against the background to render the stack
- The stacks are completely transparent except for persistent amplitude values.
- Truncation of these extreme events and corresponding phase shifts can be used to interpret the presence of a gas water contact
- Both Optical and Spatial stacks have some indications of A sand fluid contacts in the two fault blocks comprising the main closure in the Walyering Field.

## FP PREMIG 90 line Optical Stack



## FP PREMIG 90 line Optical Stack



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## Now that we understand:

1. Micro-faulting creates compartmentalisation in parts of the Cattamarra
2. Amplitude signatures are diagnostic of coarse sand channels
3. Structure is higher and more pronounced in a southerly direction

## We can now diagnose why the Walyering wells produced their disparate results

### Walyering-1

#### Result:

- Conventional gas discovery that flowed from multiple zones up to 13.5mmscf/d
- Watered out after 0.25 BCF

#### Evidence on new 3D Data:

- Small faulted compartment (hence low recovery)
- Amplitude response evident over well bottom hole location indicating conventional quality coarse channel sands.

### Walyering-4

#### Result:

- Water wet sands

#### Evidence on new 3D Data:

- Structural map shows bottom hole location entered into the water leg and was downdip of the gas water contact

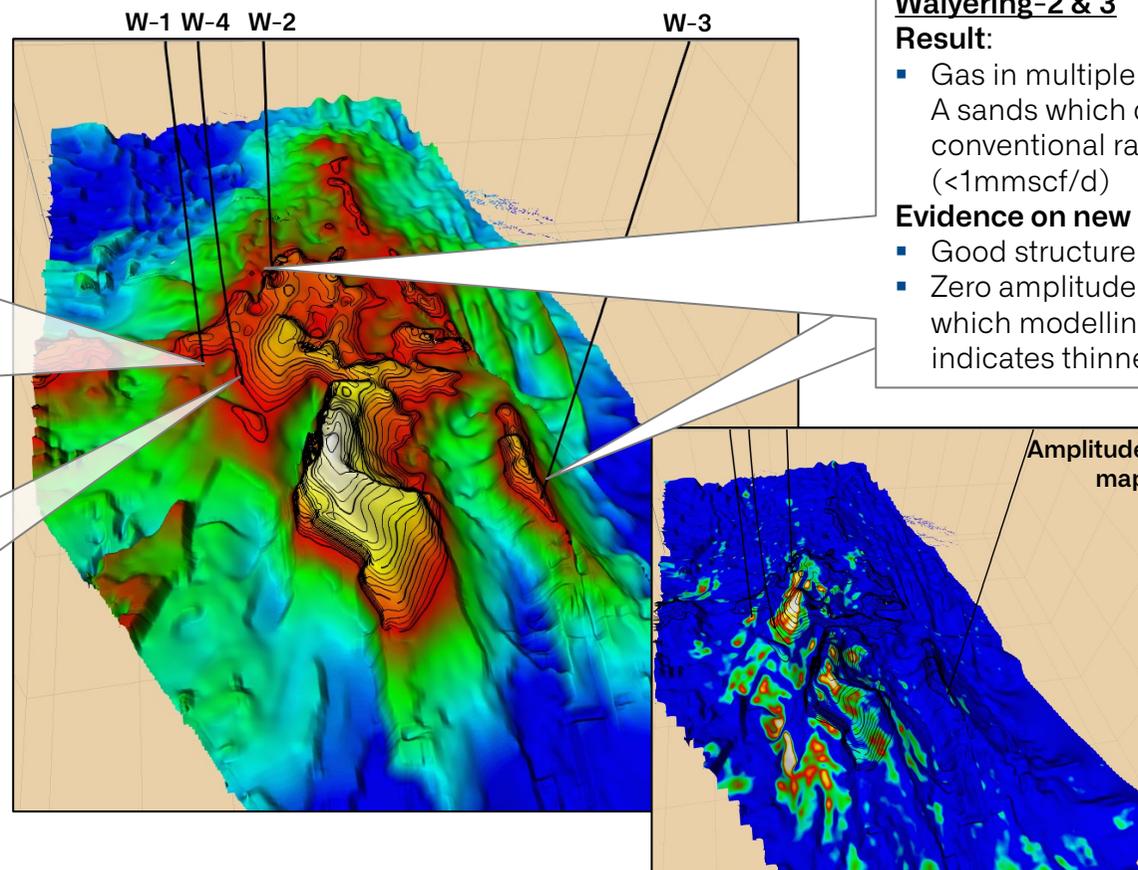
### Walyering-2 & 3

#### Result:

- Gas in multiple zones below A sands which did not flow at conventional rates (<1mmscf/d)

#### Evidence on new 3D Data:

- Good structure to trap gas.
- Zero amplitude response which modelling now indicates thinned, wet sands.



**Proposed Walyering-5 well location**

On major structure which indicates thickest reservoir



Above indicative gas water contact (updip of W-4)

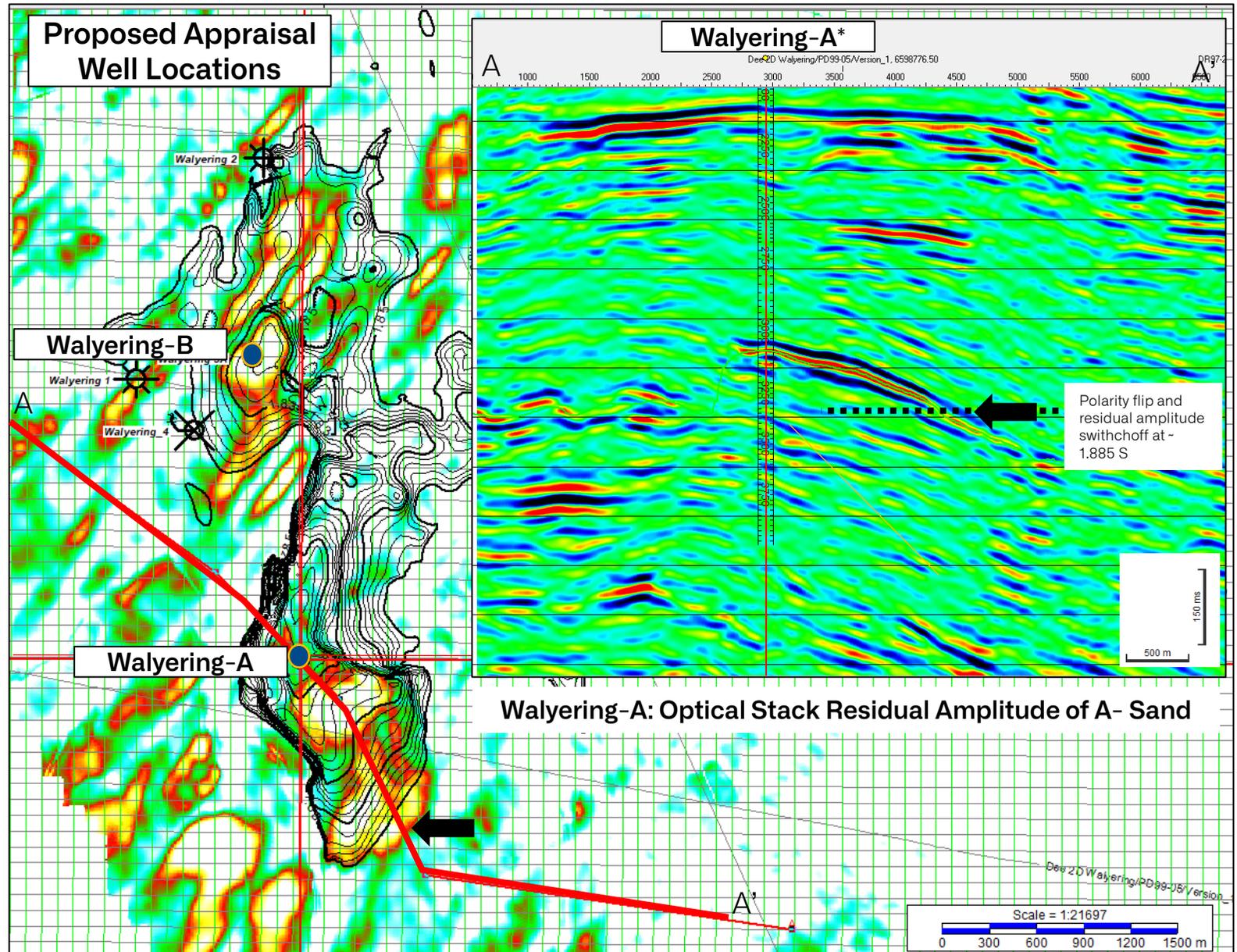


Targeting coarse channel sand / good reservoir (amplitude)

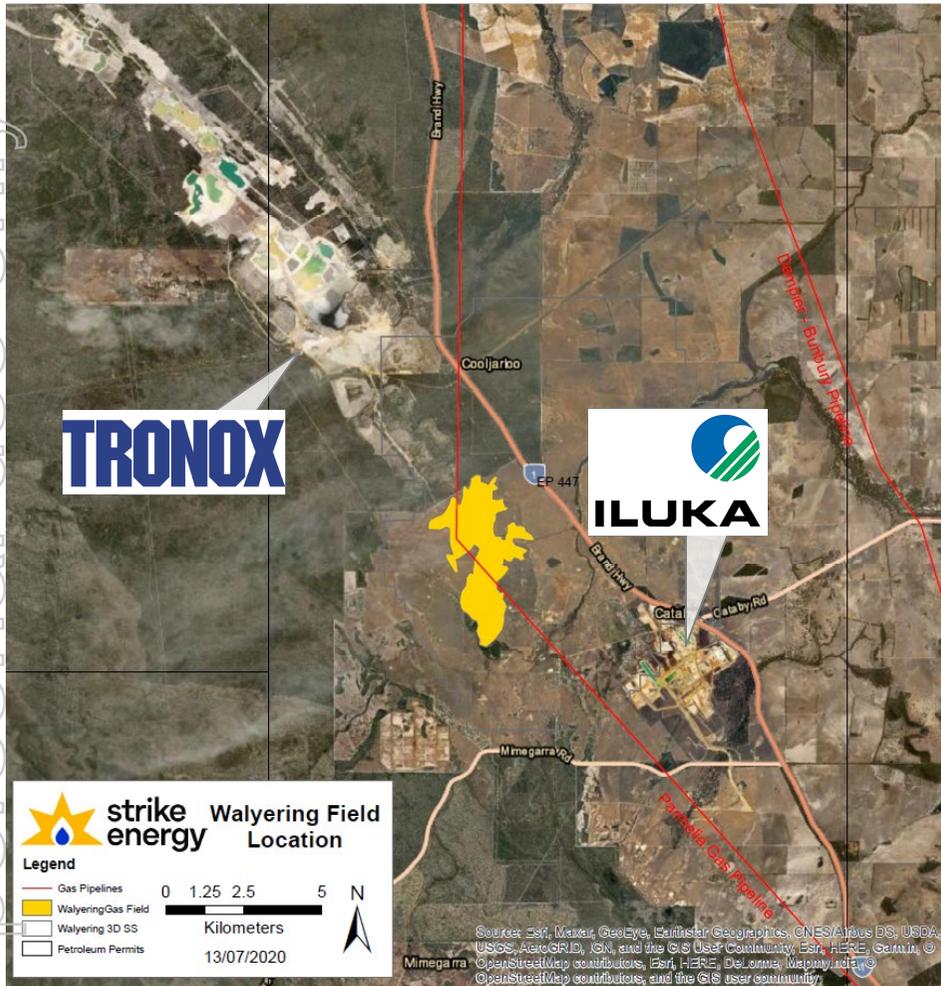


**38% POS**

of proving developable resource



High resolution 3D seismic, associated geological/geophysical workflows and historical well results were used to determine Walyering appraisal well locations



- Industrial energy consumers Tronox and Iluka have major mineral sands mines within 4 km of the interpreted field boundary.
- Walyering-1 gas stream was 99% methane with no major impurities also with high liquids content. Condensate adds additional high value revenue stream.
- WA major gas transmission pipelines are in the immediate area
- Strike is building out a demand book at attractive prices for gas in WA, led by marketing efforts for its West Erregulla development.

**Nearby customers and high-quality gas with low processing needs, makes for a potential localised, low cost, fast to market development.**

Walyering Conventional Wet Gas Prospective Resource <sup>1</sup>			
Pre-farm out Strike Share (100%)	Low (P90)	Best (P50)	High (P10)
<b>Gas</b> (OGIIP bcf)	48	86	142
<b>Condensate</b> (STOIIP mmbbls)	1.22	2.18	3.61
Post-farm out Strike Share (55%) Gas/Condensate	26 / 0.7	47 / 1.2	78 / 2.0

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## New Walyering JV



**55%**  
(operator)



**45%**

- Strike and newly appointed Talon MD David Casey (ex-Warrego Aust CEO) have a productive and successful exploration history together.
- Talon to earn 45% interest in EP447 (Walyering) via paying the first \$6m of the Walyering appraisal well, up to a gross \$9m spend. All costs post \$9m will be incurred on a pro-rata basis.
- Strike and Talon to form unincorporated Joint Venture (Strike 55% and Operator: Talon 45%)
- Talon issued a 5-year right of first refusal should Strike Energy commence marketing of Ocean Hill for a potential farm-out.
- Farm-out and Joint Venture subject to execution of definitive transaction documents, payment of \$1m security and ministerial approval.



**strike**  
**energy**