

# Project Haber Update

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- Strike awarded a \$2 million grant for Project Haber under the Federal Government's Supply Chain Resilience Initiative
  - Project Haber awarded Lead Agency Status by Western Australia Government
  - Commenced FEED early works and issued tender for FEED / EPC contract
  - Establishment of Mid-West Hydrogen Hub with proposed funding from both Western Australian & Federal Governments
  - Mobilisation commenced for drilling of South Erregulla-1
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Strike Energy Limited (Strike - ASX: STX) provides an update on Project Haber as it continues to progress several key engineering, approval and development milestones.

The strategic significance of Project Haber to the national economy has been recognised at both a State and Federal level as Strike heads into drilling the high impact South Erregulla-1 well. The importance of Project Haber in terms of generating a material domestic urea manufacturing capability has seen the project awarded Lead Agency Status from the WA Government. Concurrently, Strike has been awarded a \$2 million grant by the Australian Federal Government as part of the Supply Chain Resilience Initiative.

Project Haber's location in the Mid-West is set to be further supported by the West Australian Government's announcement of 'Hydrogen Hub' status for the Mid-West. This 'Hub' status could see public investment of circa \$117 million (for the Mid-West and Pilbara) to be matched by Commonwealth funding pending the approval of the Clean Hydrogen Industrial Hubs grant.

## South Erregulla

Strike has commenced mobilisation of equipment to its 100% owned South Erregulla, with Strike having received all permits required to commence drilling of South Erregulla-1 (SE-1). Strike is targeting spud of SE-1 in late December with the Ensign 970 rig, which has come off the well-executed and successful Walyering-5 drilling campaign.

The primary objective of SE-1 (and any subsequent appraisal wells) is to delineate approximately 350 PJ of high confidence resource in order to secure the gas requirements for Project Haber from Strike's 100% owned permits. This amount of gas feedstock should allow the Company to progress the project banking and equity processes with sufficient gas to cover the proposed tenor of any debt facilities as identified in the recently completed Strategic Roadmap Report prepared for Strike by ANZ Bank and Azure Capital.

## Urea Market, Supply Chain Resilience Grant and Offtake Process

Currently there is a global shortage of urea resulting from the ongoing northern hemisphere energy crisis. The energy shortfall has resulted in significant quantities of urea manufacturing capacity being shut in, as gas feedstock have been diverted away from industry to primary use of power and heating. Major urea exporting nations; Russia, Egypt and China, have subsequently placed restrictions on urea exports which has amplified the current supply shortage. This has translated into international urea pricing surpassing previous all-time record highs with FOB Middle East prices reaching more than US \$1,000 per tonne in the spot market.

Australia is currently on course to have zero domestic urea production capacity by December 2022, with Incitec Pivot Limited announcing the closure of their Gibson Island production facility. Given Australia's already high reliance on urea imports from the Middle East and China this confluence of global and local events will leave Australian farmers fully exposed to international market conditions. In addition to urea being in short supply for agricultural purposes, a secondary impact is the availability of AdBlue, a urea-based diesel engine exhaust fluid used for pollution (NOx) reduction in modern diesel and freight engines. AdBlue (urea) availability is forecast to start impacting international and Australian supply chains within the coming quarter, unless additional capacity is either built or supplies of urea improve.

The macro-economic events transpiring highlight the vulnerability of parts of Australia's economy to international energy markets and demonstrates the increasing importance of Project Haber to Australia's agricultural and logistics industries.

This importance has been recognised by the Australian Federal Government via the award of a \$2 million matched grant as part of its Supply Chain Resilience Initiative. The award of this grant highlights the strong level of government support for the project and its objectives displacing more than \$1.5 billion of imports per annum and securing critical domestic supplies of nitrogen-based urea fertilisers.

The award above does not take into account the proposed long term carbon benefits of Project Haber, which will tackle hard to abate carbon emissions associated with the manufacturing of fertiliser, where Project Haber has the potential to reduce the carbon footprint of Australia's urea consumption by more than 50%<sup>1</sup>.

With regard to securing offtake, Strike has now concluded the second round of its urea offtake process and has committed to negotiating a full form agreement for 100% of the volume (1.4 mtpa) in a long-term offtake arrangement upon the success at South Erregulla-1. Further information on this offtake agreement will be provided in due course and in line with the Company's continuous disclosure obligations.

### **Lead Agency Project Status**

The Western Australian State Government's Department of Jobs, Tourism, Science and Innovation has awarded Project Haber Lead Agency Status. The project has been assigned a case manager to facilitate desired project development outcomes assisting primarily in the tracking and approvals management and interagency coordination. This status will support the timely progression of Project Haber through its relevant milestones.

### **Engineering**

Further to the Pre-FEED studies completed earlier this year<sup>1</sup>, Strike has continued to progress the Project Haber FEED early works. The work has primarily focused on environmental approvals and consolidating the FEED basis of design. Concurrently, Strike has commenced the FEED / EPC tender process with the intent to award the FEED scope upon drilling success at South Erregulla-1. The tender has been issued on a combined FEED / EPC basis with mechanisms which will allow the FEED to progress directly into the EPC phase on the taking of a final investment decision on Project Haber.

### **Environmental Approvals**

Strike continues to progress the environmental and planning approvals required for Project Haber. Baseline surveys, modelling and technical studies are nearing completion and Strike's

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<sup>1</sup> Refer to ASX announcement released 20 September titled "Project Haber to deliver further benefits as Pre-FEED completes".

consultant Strategen JBS&G has commenced the drafting of the key regulatory approval applications ahead of planned submission in 2022.

### **Mid-West Hydrogen Hub**

Strike notes the announcement of ‘Hub’ status and potential State and Commonwealth funding for the Mid-West region as demonstration of the important role clean hydrogen may have in the State’s future energy system. Once constructed, Project Haber would be one of Australia’s largest hydrogen consuming facilities via its urea manufacturing process, and as such, has the potential to play a strategically important part in the local hydrogen economy.

The State and Commonwealth Government’s Clean Hydrogen Industrial Hubs will focus on hydrogen refuelling infrastructure and connecting renewable power and water in the Mid-West, thereby allowing Strike the opportunity to increase the penetration of renewables into the project through power generation further reducing its carbon intensity.

Strike intends to initially supply 2% of its hydrogen demand from its own dedicated 10MW hydrogen electrolyser within the Haber plant. This unit is planned to be powered from nearby cost-effective wind and solar power or potentially by Strike’s geothermal resources in the Perth Basin, should appraisal of Strike’s Mid-West Geothermal Power Project prove successful. As the renewable hydrogen market matures, Strike intends to increase the import of green hydrogen up to 100% of the ammonia feedstock over the project’s life.

The ‘Hub’ designation announcement should aid the accelerated adoption of green hydrogen into Project Haber. As previously announced, Strike has entered into separate non-binding Memorandum of Understanding (MOU) with ATCO and Infinite Blue Energy (IBE) for (among other things) potential green hydrogen supply, which it can use as feedstock into the facility<sup>2</sup>.

### **Major Project Sub-Committee**

The Strike Board of Directors has established a Major Project Sub Committee to govern and guide the delivery of Project Haber as it prepares to enter FEED and evaluate proposed lumpsum turnkey EPC contracts.

The sub-committee is managed by the Company’s Chief Development Officer Mr. Crispin Collier, Chaired by Strike Deputy Chairman Mr. Neville Power and includes membership of Non-Executive Director Ms. Mary Hackett and MD & CEO Mr. Stuart Nicholls.

Both Mr. Power and Ms. Hackett have extensive Major Project experience having delivered several West Australian multi-billion-dollar, greenfield, mining and LNG projects between them, whilst Mr. Nicholls is tasked with ensuring Strike’s vertically integrated strategy is leveraged to its maximum value, looking to integrate the Company’s gas, hydrogen and geothermal pursuits where possible.

### **Chief Executive Officer & Managing Director, Stuart Nicholls said:**

*“The award of this Supply Chain Resilience Grant and West Australian Lead Agency Status is recognition of the importance of Strike’s pursuits at Project Haber, to not only domesticate the nitrogen fertiliser industry but also dramatically reduce the carbon footprint of the Australia’s agricultural emissions.*

*“The investment in clean hydrogen in the Mid-West demonstrates the role that Project Haber can have in creating a new energy economy through the early creation of a large commercial hydrogen demand centre. Renewable power with some green hydrogen combined with Strike’s adjacent natural gas resources could see some of the world’s lowest carbon urea produced right here in WA.”*

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<sup>2</sup> Refer to ASX announcement released 20 September titled “Project Haber to deliver further benefits as Pre-FEED completes”.

<sup>2</sup> Refer to ASX announcement released 15 September titled “Project Haber paves the way to become regional green hydrogen and carbon sink”.



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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### **Important Notices**

#### **Project Haber**

*The successful development of Project Haber is contingent on, among other things, the proving up of sufficient gas reserves at South Erregulla, the outcomes of FEED on Project Haber, access to finance and (where required) equity participation, securing binding urea offtake agreements, and obtaining all requisite regulatory and stakeholder permits, approvals and authorisations.*

*The concept, feasibility and pre-FEED studies prepared by Technip Energies on Project Haber to date have been undertaken to determine the potential viability of Project Haber and to reach a decision to proceed with more definitive studies, and as such are indicative in nature only. The studies are based on low to medium level technical and economic assessments and are insufficient to provide full assurance of an economic development case at this stage or provide certainty that the conclusions of the studies will be realised and that the development of Project Haber will be commercially viable.*

#### **Forward looking statements**

*Statements contained in this release are or may be forward looking statements. All statements in this release regarding the outcomes of preliminary and definitive feasibility studies, projections and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. These statements relate to future events and expectations and as such involve known and unknown risks and significant uncertainties, many of which are outside the control of Strike. Actual results, performance, actions and developments of Strike Energy may differ materially from those expressed or implied by the forward-looking statements in this release. Such forward-looking statements speak only as of the date of this release. Refer to the 'Summary of Key Risks' section of the release titled "Equity Raising and Corporate Update April 2021" released to ASX on 15 April 2021 for a summary of certain general, Strike specific and acquisition specific risk factors that may affect Strike. There can be no assurance that actual outcomes will not differ materially from these statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in the aforementioned ASX release. Investors should consider the forward looking statements contained in this release in light of those disclosures. To the maximum extent permitted by law (including the ASX Listing Rules), Strike and any of its affiliates and their directors, officers, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this release to reflect any change in expectations or assumptions; do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this document, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence). Nothing in this document will under any circumstances create an implication that there has been no change in the affairs of Strike since the date of this release.*