

Peaking Power Plant submission supported by South Erregulla Reserves

- Strike has submitted an application to the Australian Electricity Market Operator (AEMO) for the award of capacity credits and network access to support a stand-alone development proposal at South Erregulla.
 - Strike will look to construct and operate a fully integrated 85 MW peaking gas power plant on Strike's Precinct with operations to commence by October 2026.
 - The proposed power plant will be fuelled by South Erregulla's newly re-certified gas Reserves, where the 1P Reserves of 37 PJ¹ supports a project life of more than 25 years².
 - The Project is independently modelled to utilise ~1.3 PJ pa and generate revenue of \$40-\$50 million pa over the first 5 years of operations and is targeting an unconditional final investment decision in November 2024 (subject to, among other things, the award of capacity credits and minimum network access quantity as per its submission).
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Strike Energy Limited (Strike - ASX: STX) is pleased to provide details of its submission for a peaking gas power plant development, which is supported by the re-certified South Erregulla gas reserves in L24 (100% net to STX) the details of which were announced today.

Executive Summary

Strike has made a submission to the Australian Energy Market Operator (**AEMO**) to apply for Certified Reserve Capacity (**CRC**) and a Network Access Quantity (**NAQ**) to support the development and production of up to 85 MW of electricity from a proposed fully integrated peaking gas fired power plant (**Project**), to be fueled by the South Erregulla gas field and built on Strike's wholly owned land known as The Precinct.

Strike has the unique opportunity to develop a peaking gas power plant with the South Erregulla gas field able to support a highly coveted interruptible gas supply adjacent to existing transmission lines within the State's South West Interconnected System (**SWIS**), which transmits power across the >4 GW primary electricity market of WA.

Strike's proposed power development leverages the new WA Wholesale Energy Market's (**WEM**) constrained operating model and capacity credit scheme that supports the development of new merchant peaking power stations as a means of firming current and future intermittent renewable generation.

This strategic development plan for South Erregulla capitalises on the:

- Incremental value that integrated gas to power projects can generate from the spark-spread during short term power prices coinciding with lower renewable generation. The modelled look through total revenue per gigajoule of gas consumed in the first 5 years is

¹ Reserves re-certified by NSAI as at 31 May 2024 and reported to Strike on 21 June 2024. Refer to ASX announcement "South Erregulla Reserves" dated 24 June 2024 for important information regarding the South Erregulla Reserves and Resources report and to the Important Notices at the end of this release.

² Project life modelled on average throughput of ~1.3 PJ per annum, refer to Table 3 for key operating assumptions.

equivalent to \$30-\$40/GJ. (note this look through pricing is based on the independently modelled revenue estimates which is based on the assumptions in Table 1)

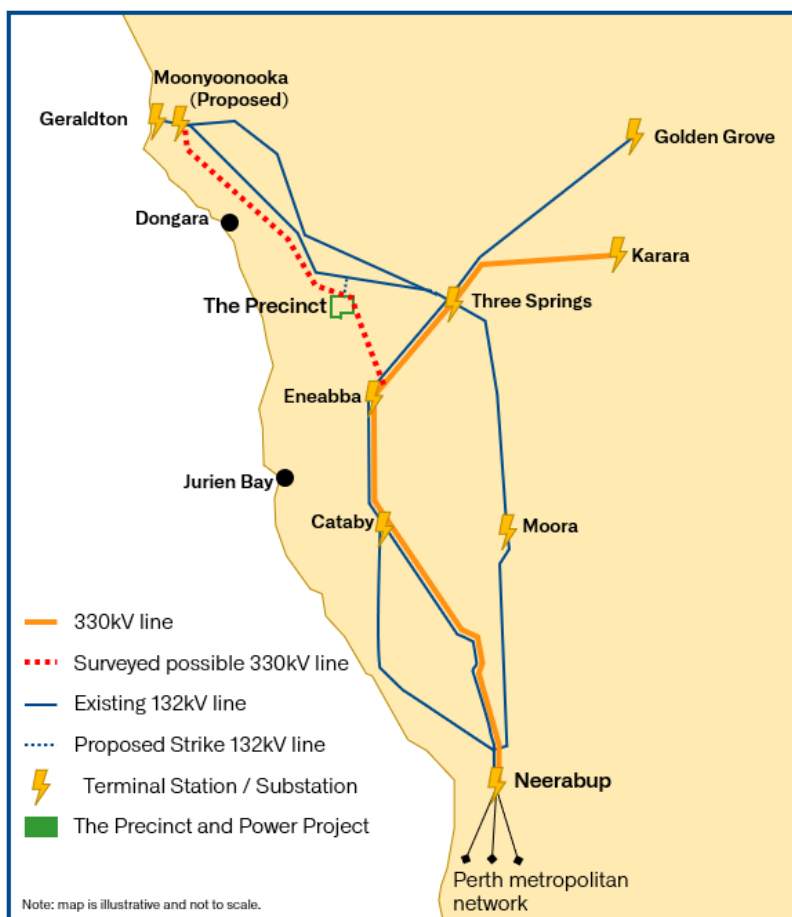
- Capacity credit mechanism that is now in force in WA whereby payments from the WA Government provide a high degree of confidence in the return profile of the project.
- Geographical competitive advantage Strike has over the traditional WA domestic gas market (Carnarvon Basin) incumbents and other non-integrated generators.
- Existing approvals and much of the planning work completed from the previous South Erregulla domestic gas project.

Strategic & Competitive Advantages

The direct access to interruptible gas supply (via South Erregulla) for its own consumption and uniquely positioned land holding (The Precinct, wholly owned and proximate to WA's primary transmission network) where it holds Production Licence L24, underscores the advantages Strike has in entering into the peaking power sector within Western Australia.

Converting gas to peaking power during lower renewable output in the SWIS commands a significant premium to the underlying value of the gas should it have been sold under traditional methods into the WA domestic gas market.

Figure 1: Location of the Precinct and Power Plant in the North Country section of the SWIS



The integration of Strike's gas resources to firming capacity for renewable generation in the SWIS will also reduce the reliance on, and facilitate the retirement of, the State's coal fired power and increase the reliability of renewable power, demonstrating how Strike's assets are central to WA's energy transition.

With Strike being strategically located versus other traditional gas resource owners (of the Carnarvon Basin), and with its in-SWIS gas resources, Strike has the opportunity to carve out an additional role in WA's energy transition that supports the economy, environment, and delivers a higher realised price for the underlying resources.

WA Power Market Evolution

Strike has been studying the transition of the WA Energy Market for some time, where the WA Government and the AEMO have been adapting market rules, conditions and altering

participating economics to create an investment opportunity to build out a stable, reliable, long-term grid that can support the integration of more renewable energy as transmission upgrades

are completed. Gas fired peaking power generation has an important role to play to help firm renewables and underpin batteries when they have been exhausted.

Two major changes that have occurred recently to the WA system are that:

1. it has moved to a constrained grid (where all market participants are able to gain access to the network without having to fund significant 'network augmentation' costs); and
2. the WEM is facing a generation capacity shortage which has necessitated the rollout of the Reserve Capacity Mechanism (**RCM**). The reserve capacity price (paid under the RCM) has risen substantially in recent times and is expected to remain elevated to ensure sufficient capacity is added to the SWIS in a timely manner and that there is adequate generation capacity available to meet forecast peak electricity demand. The RCM is unique to Western Australia and not available in other Australian states.

These two changing factors have supported Strike's proposed investment into the power sector by allowing Strike to access the existing transmission infrastructure (when renewables are not generating) and to remain a merchant seller of energy into periods of peak pricing, which is, again, when renewables are not generating energy, by underwriting the bankability of the project via the payment of capacity credits.

The changes to the WEM and operations of the SWIS accompanied by the significant evolution in the fuel mix / percentage of renewable penetration, result in the WA power markets becoming a substantial demand centre for very long-term gas consumption with superior returns (as compared to the traditional WA domestic gas market dynamic).

South Erregulla Geography and Location

The Project will be located on Strike's wholly owned 3,500 ha strategic land holding known as The Precinct, which is approximately 280 km North of Perth and approximately 45 km East of Three Springs. The Project is located on previously cleared agricultural land situated within Strike's Production Licence L24.

The Precinct is located approximately 15 km South West of the 132 kV transmission line between Three Springs and Geraldton. The Project's close proximity to the transmission lines minimises capital expenditure for connection to the SWIS.

The Precinct is well placed for potential transmission upgrades as the State continues to roll out new transmission in the northern end of the SWIS. A surveyed corridor by Western Power for a potential 330 kV connection between Geraldton and the Three Springs line exists over the Precinct's northeastern corner.

WA Electricity Market Outlook

The Power Project will (if successful in its AEMO application) be a market participant in the WEM, which supplies electricity via the SWIS to ~1.2 million customers across major metropolitan and regional areas of the south-west of Western Australia³, a market of more than 4 GW of demand. The WEM is comprised of market participants that operate generation facilities and supply electricity to large customers and retailers who purchase electricity. The SWIS is not connected to the National Electricity Market (**NEM**) which supplies electricity to the Eastern states.

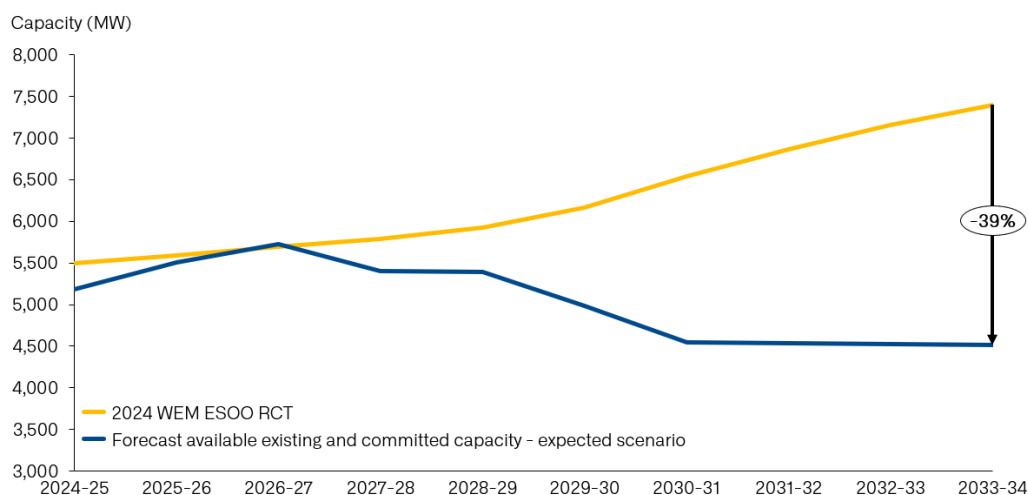
AEMO prepares an annual Electricity Statement of Opportunities (**ESOO**) for the WEM which identifies the investment in new generation capacity required to deliver secure and reliable electricity to the SWIS over a ten-year forecast period⁴.

³ <https://aemo.com.au/-/media/files/electricity/wem/wholesale-electricity-market-fact-sheet.pdf>

⁴ https://aemo.com.au/-/media/files/electricity/wem/planning_and_forecasting/esoo/2024/2024-wem-electricity-statement-of-opportunities.pdf

The 2024 ESOO identified generation capacity shortfalls or slightly balanced periods throughout the entire ten-year outlook (see Figure 2 below)⁵.

Figure 2: Reserve Capacity forecast supply-demand balance, expected demand growth scenario, 2024-25 to 2033-34



AEMO forecasts significant growth in peak demand and electricity consumption over the 10-year outlook period, with peak electricity demand forecast to grow 3.7% p.a. on average. This is primarily driven by increased industrial electrification, the emergence of a hydrogen industry and the strong uptake in electric vehicle use⁶. On the supply side, the exit from significant coal-fired power generation (>30% of supply) over the coming decade must be replaced.

A new peak demand record was set on 23 November 2023. This record was subsequently broken on multiple days across the summer, which saw 7 of top 10 highest demand days on record, including the current all-time maximum operational demand on 18 February 2024⁷.

Average operational demand during Q1CY24 was ~9% higher than Q1CY23. Demand reduction (i.e. curtailment of consumer demand) was implemented on 14 occasions during the quarter in order to maintain the security and reliability of the network during periods of high demand. AEMO noted that the numerous high demand events during the period required increased usage of peaking generation from gas and even distillates (diesel fired peaking power)⁸.

In May 2023, the WA State Government published its long-term demand outlook for the SWIS which recognised the need for significant investment in additional capacity (similarly to the AEMO). Importantly, the report identified that renewable generation would need to be supported by 3.9 GW of new flexible gas generation capacity⁹.

Reserve Capacity Pricing

A Reserve Capacity Price (RCP) is set each year by the Economic Regulation Authority, with reference to the cost of adding generation capacity to inform the capacity price received by generators. New generators are able to lock in their initial RCP for five years (plus CPI) or leave it floating.

The RCP is published two years in advance of the energy generation period. Strike's independent third-party consultants have forecast a range for the RCP for start-up in 2026 of \$180-\$230k per MW per annum. Strike will be informed by AEMO in August 2024 if it has been successfully awarded capacity, and of the price of that capacity in October 2024. This information will form a

⁵<https://aemo.com.au/en/newsroom/media-release/aemo-reliability-outlook-flags-the-need-for-investment-in-wa-south-west-interconnected-system>

⁶https://aemo.com.au/-/media/files/electricity/wem/planning_and_forecasting/esoo/2024/2024-wem-electricity-statement-of-opportunities.pdf

⁷https://aemo.com.au/-/media/files/electricity/wem/planning_and_forecasting/esoo/2024/2024-wem-electricity-statement-of-opportunities.pdf

⁸<https://aemo.com.au/-/media/files/major-publications/qed/2024/qed-q1-2024.pdf>

⁹https://www.wa.gov.au/system/files/2023-05/swisda_report.pdf

key input to satisfaction of the conditions precedent to its financing and, following award of the NAQ, a final investment decision.

Energy Prices

Average monthly peak power prices in the WEM have increased by ~130% over the past three years. Peak period pricing (i.e. top six intervals each day) is relevant as it is modelled that the Project will produce energy sales and operate approximately ~19% of the time when local Mid West wind generation is low.

Energy sales are modelled, using Strike commissioned third party consultants and public information¹⁰, to achieve an average of \$140 MWh.

Revenue Estimates

Strike has commissioned independent third-party consultants who forecast total annual revenues of between \$40-50 million for the Project, derived from the Project’s three different revenue streams (refer Figure 5):

1. Reserve Capacity Credits;
2. Energy sales; and
3. Ancillary services¹¹.

Capacity payments make up ~40% of the total revenue. If awarded, these capacity payments are attractive as they are an underwritten and guaranteed component of the Project’s revenue which supports a high degree of confidence in the project’s return profile.

When the estimated total annual revenues of ~\$40-50 million¹² are divided by the annual forecast gas usage per annum of the plant, ~1.3 PJ per annum (assuming its 18.8% capacity factor), the effective achieved gas price is equivalent to \$30-\$40/GJ, demonstrating the premium that this fully integrated development can potentially generate per unit of gas. (note this look through pricing is based on the independently modelled revenue estimates which is based on the assumptions in Table 1)

Peaking Power Plant Details

The Power Station will operate in a peaking capacity only. The power plant will comprise 20 x 4.5 MW reciprocating gas engine generators. The engines will be located southeast of the existing SE-1 wellhead. These gas engines are a proven conventional technology deployed across Australia and overseas in both a base load and peaking capacity.

Figure 3: Average Monthly Peak Power Price in WEM

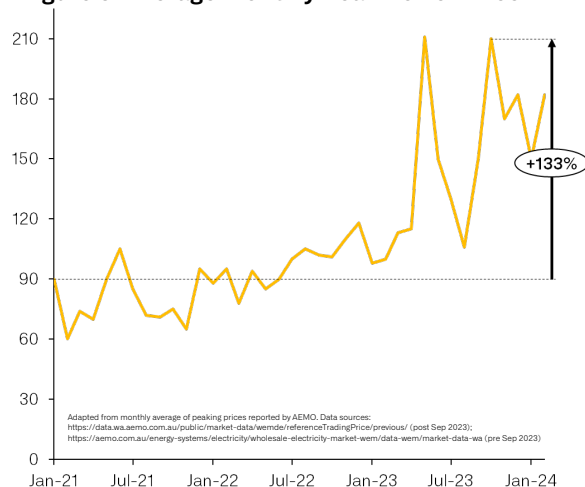
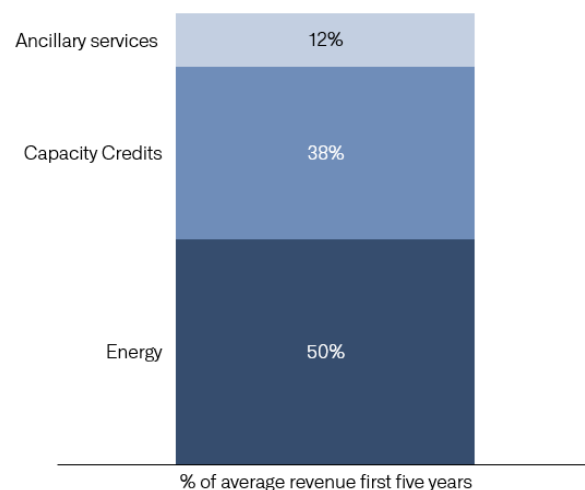


Figure 44: Modelled average revenue stack first five years (% of \$40-50m)



¹⁰ Due to inability for Strike to verify the veracity of the publicly available information, Strike has used it as a data point only for averaging purposes.

¹¹ Ancillary services revenue estimate is based on an independent forecast procured by Strike.

¹² Revenue forecast is based on Revenue Estimates and Key operating Assumptions on pages 7.

The export capacity of the plant (85 MW) has been chosen to access the maximum amount of network available during periods of low regional wind generation. The generators will be located on an engineered concrete pad in an engine-hall style shed structure.

The power plant will be situated southeast of the existing SE-1 wellhead with supporting infrastructure. An additional 2.4 km of flowline will be installed to provide 1 TJ or 60 minutes of line pack and support the ramp up and ramp down of the plant from the SE-1 well. A second well SE-4 is planned to be drilled between SE-1 and the permit boundary to the north within year 2 of the project operation.

The power plant will provide critical firming and energy and voltage support services to the northern end of the SWIS which is currently absent. The only remaining gas fired generation in the region is the Mungarra power station built 34 years ago and is only called upon for black-start capacity. Notably, most of the gas fired generation in the SWIS is between 15 and 34 years into their operating lives, likely requiring ongoing maintenance.

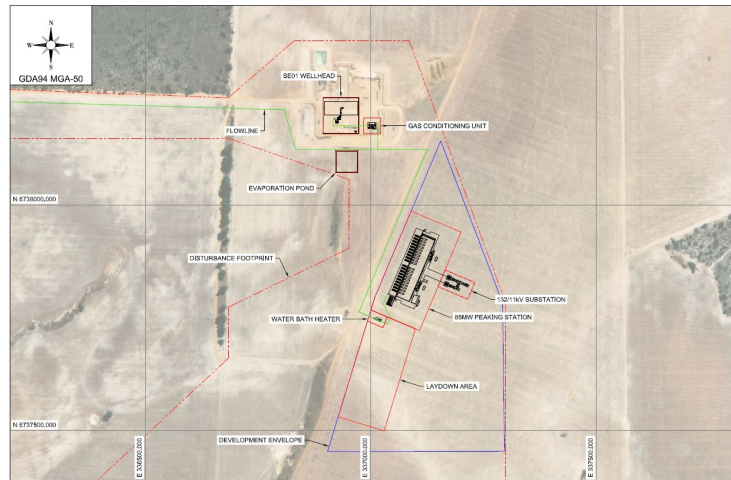
Approvals

Using the approvals already obtained for the development of South Erregulla, Strike will be able to proceed directly to Part V approvals under the *Environmental Protection Act 1986* (WA). Further approvals to commence construction and operate the Project will be pursued under the *Petroleum and Geothermal Energy Resources Act 1967* (WA).

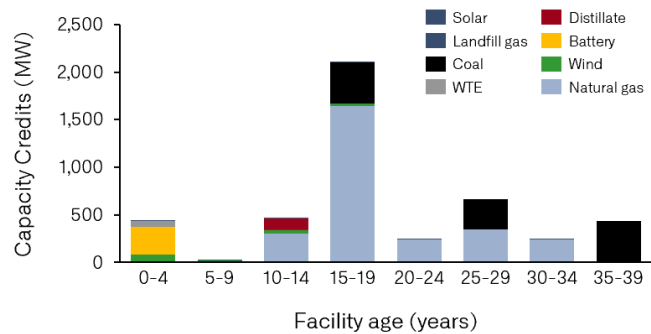
To support the submission, Strike has received letters from the Deputy Director General of DEMIRS endorsing the approvals timeline and from the Lead Agency Service from the Department of Jobs Tourism Science and Innovation. Importantly a letter of support has also been received from Western Power endorsing Strike's timeline and plans to connect the Project to the existing transmission network.

Based on recent experience from the construction and commissioning of the Walyering gas field and endorsement from DEMIRS, Strike is confident that all remaining secondary approvals can be obtained in line with the proposed project schedule.

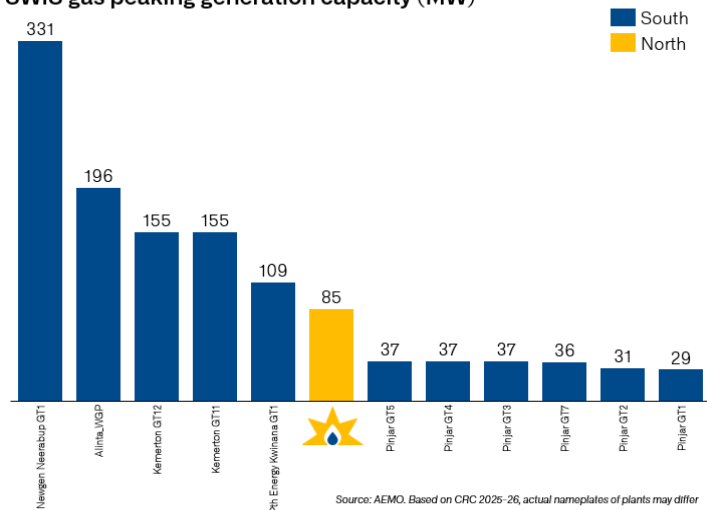
Figure 5: Overall Facilities Layout



Capacity Credits assigned for 2025-26 by fuel type and facility age, as of 15 May 2024 (MW)



SWIS gas peaking generation capacity (MW)



Source: AEMO. Based on CRC 2025-26, actual nameplates of plants may differ

Capital Cost Estimate

The capital cost estimate for the Project has been compiled by Strike Energy and its engineering consultants to a AACE Class 3 Estimate Classification (-15% to +30%) level of accuracy.

Quotations have been received by suppliers for more than 50% of project costs, including fixed priced quotations for key equipment such as generators and transformers which make up 42% of the total capital.

Estimated capital costs for the Project at this stage in the project's development cycle range between \$120 million and \$160 million. Strike will firm up its estimates as it proceeds towards a final investment decision.

Operating Cost Estimate

The operating cost estimate has been prepared by Strike and its engineering consultants. The operating cost estimate has been benchmarked against the Economic Regulation Authority's estimate for the calculation of the 2024 Benchmark Reserve Capacity Price and is consistent¹³.

Average operating costs and royalties are estimated between \$5 million - \$7 million per annum (real, 2024\$), excluding the internal transfer price for fuel gas from the South Erregulla gas field. Strike will firm up its operating cost estimate as it proceeds towards a final investment decision.

Key Operating Assumptions

Table 3 below provides an overview of key operating assumptions on which the Project has been modelled, as compiled by Strike and its engineering consultants, and are subject to change as the Project matures towards a final investment decision:

Table 1: Key operating assumptions compiled by Strike and its engineers/consultants

Item	Units	Base Case
Key assumptions		
Commercial operations commence	Date	1-Oct-26
Plant size / power exported	MW	90 / 85
Operating life	Years	>25
Reserve coverage (1P Proven Reserves) ¹⁴	Years	28
Average capacity factor	%	18.8
Power plant gas consumption (lower heating value)	GJ/MWh	-8.0
Power plant annual average gas consumption	PJ	1.3
Average realised price first 5 years – energy sales (real, 2024\$)	\$/MWh	140
Est. Capacity Credit price first 5 years (real, 2026\$)	\$/MW/pa	180-230k

Project Timeline and Capital Expenditure Timing

An indicative project timeline is provided in Figure 6 below. Key items to note are:

- Strike expects to be informed in August 2024 whether the Project has received Certified Reserve Capacity at which time a security deposit of 25% of annual expected Capacity Credits (\$4.9 million) will be required to be provided to AEMO. This is refundable should Strike not receive the minimum Network Access Quantity required to underpin the Project.
- In October 2024 AEMO will publish the RCP.
- Unconditional FID (expected November 2024) is subject to, among other things, the award of Strike's minimum Network Access Quantity and financial close under the Macquarie Bank

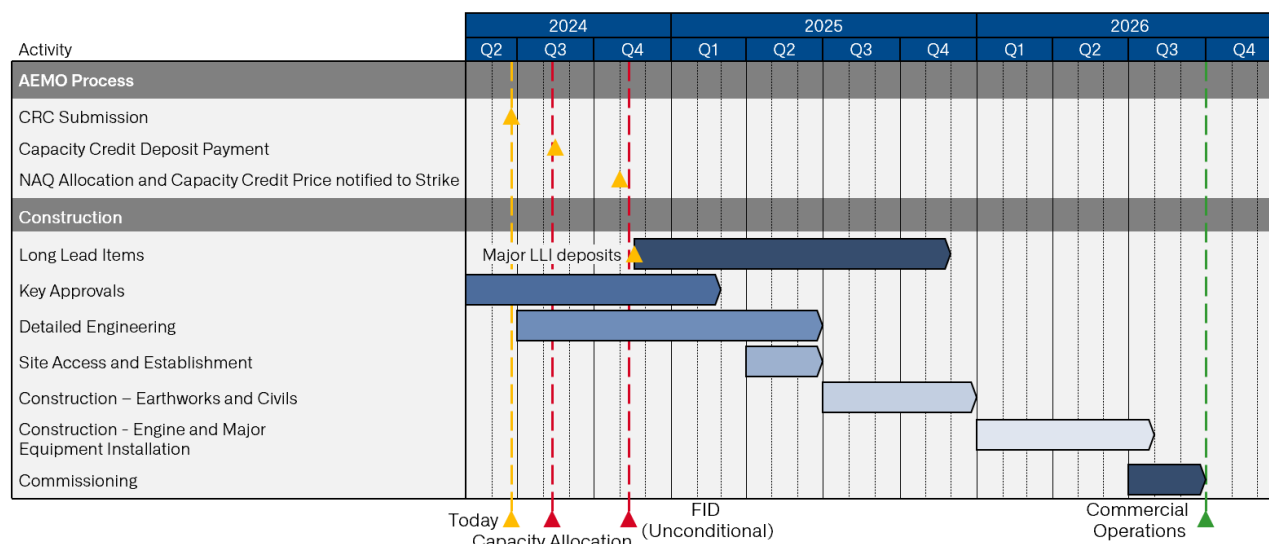
¹³ 2024 Benchmark Reserve Capacity Price for the 2026/27 capacity year (erawa.com.au)

¹⁴ Refer to ASX announcement "South Erregulla Reserves" dated 24 June 2024 for important information regarding the South Erregulla Reserves and Resources report.

project finance facility for the Project¹⁵. Upon unconditional FID being satisfied, long lead orders will be placed.

- The Project must be ready to supply to the grid by 1 October 2026.

Figure 5: Indicative Project Timeline



Following the payment of the Reserve Capacity Security payment and LLI deposits, capital expenditure does not ramp up until the second half of CY25 when siteworks commence.

Funding & Sources of Capital

As disclosed on the 21st of June 2024, Strike has agreed terms for a \$153 million development financing package from Macquarie Bank. Of this package, \$53 million is allocated specifically to the South Erregulla power project development, which when combined with strong free cashflow generation from Strike’s existing production operations, allows for Strike to meet the modelled mid-case capital requirements for the project’s development and construction. The finance package remains subject to definitive documentation and to various conditions precedent. Please refer to the ASX release on 21 June 2024 for further information on the finance facility.

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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¹⁵ Refer ASX announcement “Terms agrees for \$153m Development Funding Package” dated 21 June 2024 for details of the finance facility. Refer Important Notices for further details regarding the conditions to FID.

Important Notices

Power Project

The development of the Power Project is contingent on, among other things, the award of Certified Reserve Capacity (CRC) and Network Access Quantity (NAQ), satisfaction of the conditions precedent to and financial close under the Macquarie Bank project finance facility for the Power Project (details of which were released to ASX on 21 June 2024), execution of all required procurement contracts, and obtaining all requisite regulatory and stakeholder permits, approvals, licences and authorisations by no later than 30 November 2024 in order to meet the construction timeline to be supplying electricity into the grid by 1 October 2026.

The forecast capital and operating expenditures and revenue for the Power Plant have been modeled based on the assumptions and information set out or referred to in this release, are to the level of accuracy as specified in this release, and are subject to change. These forecasts are, by their nature, forward looking statements and subject to the same risks as other forward looking statements (see below).

Reserves and Resources Information

Unless otherwise stated, references in this report to the South Erregulla Reserves and Resources Estimate is to the reserves and resource estimates set out in ASX announcement dated 24th June 2024 entitled "South Erregulla Reserves". This announcement is available to view on Strike Energy's website at www.strikeenergy.com.au. Strike 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.

Forward looking Statements

Statements contained in this release, including but not limited to those regarding the possible or assumed future costs, projected timeframes, performance, dividends, returns, revenue, exchange rates, potential growth of Strike, industry growth, commodity or price forecasts, or other projections and any estimated company earnings are or may be forward looking statements. Forward looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'budget', 'outlook', 'schedule', 'estimate', 'target', 'guidance', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. Forward looking statements including all statements in this document regarding the outcomes of preliminary and definitive feasibility studies, projections, guidance on future earnings 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 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 document. Refer to the risk factors set out in Talon Energy Limited's Scheme Booklet dated 3 November 2023 in relation to the acquisition by Strike Energy (through its wholly owned subsidiary) of all of the issued shares in Talon Energy by way of scheme of arrangement pursuant to Part 5.1 of the Corporations Act 2001 (Cth) for a summary of certain general, Strike Energy specific and acquisition specific risk factors that may affect Strike Energy. There can be no assurance that actual outcomes will not differ materially from these statements. 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



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