Strike Energy Limited
ACN 078 012 745

120B Underwood Street
Paddington, NSW 2021
PO Box 400, Woollahra, NSW 1350

P: +61 2 9397 1420
F: +61 2 9397 1430
E: strike@strikeenergy.com.au
www.strikeenergy.com.au

2 July, 2015

Australian Competition & Consumer Commission
Level 20, 175 Pitt Street
Sydney NSW 2000
GPO Box 3648
Sydney NSW 2001

Email: gas.inquiry@accc.gov.au

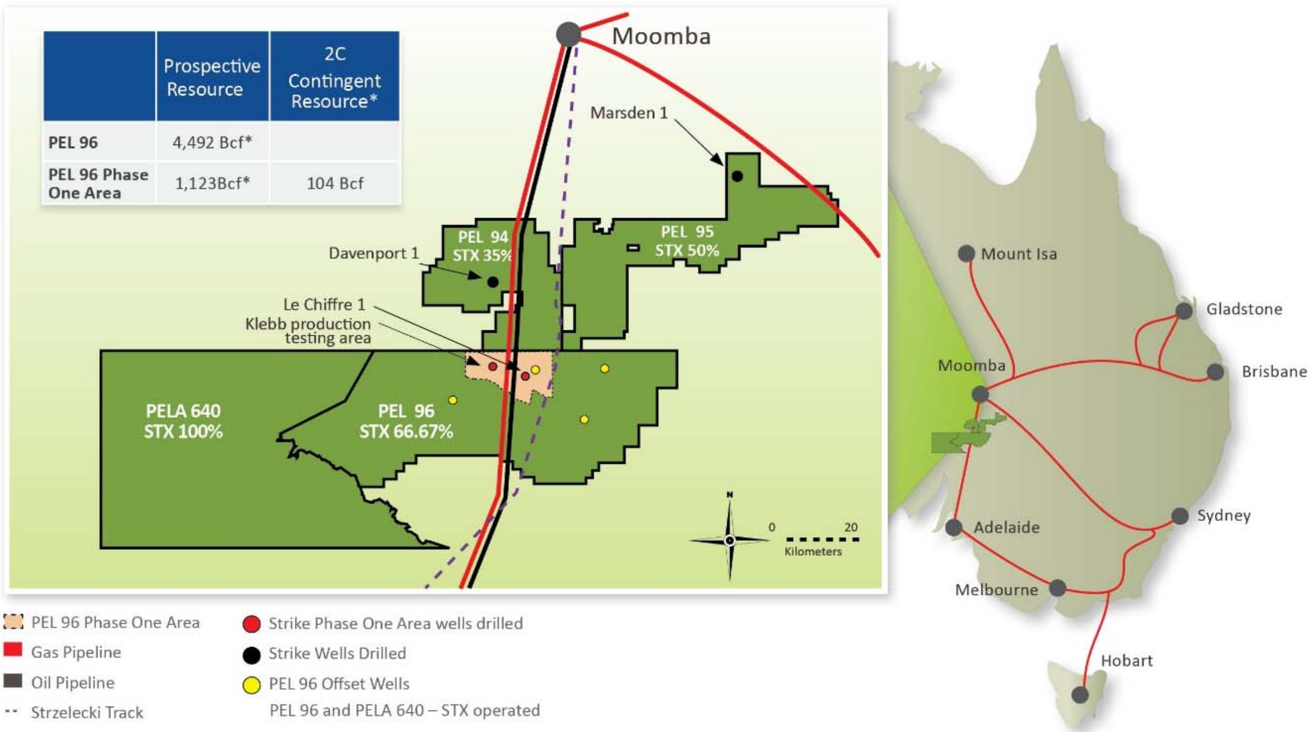
Dear Sir/Madam

Public Submission to ACCC re: East Coast Gas Inquiry

1. BACKGROUND

Strike Energy Limited (ASX:"STX") is progressing the appraisal of a gas project within PEL 96 in South Australia. To date, four wells have been drilled and are in the course of production testing. Sustained gas flows to surface have been maintained over a number of months.

Strike has been one of the most active explorers in the Cooper Basin in the last year and the only industry participant to achieve substantial forward progress towards the commercialisation of a large new gas resource in the near term.



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

*Mean estimate (net to Strike) per ASX announcement dated 19 February 2014 and adjusted for announced contingent resource estimate per ASX announcement dated 27 April 2015

STX owns 66.7% and operates PEL 96. Energy World Corporation (ASX:"EWC") is the other PEL 96 Joint Venture partner (33.3%). STX also has non-operated joint venture interests in PEL 94 and PEL 95 to the north.

A Phase 1 evaluation area has been identified in PEL 96 of around 200km^2 with the Moomba Adelaide pipeline running through the middle of the area, approximately 80 kms south of Moomba. This Phase 1 area is the current focus for gas appraisal activities with a prospective resource of over 1.5 trillion cubic feet of gas (Tcf), within which a (2C) contingent resource of 155 billion cubic feet (Bcf) was recently certified.

The appraisal work to date in the Phase 1 area has been encouraging and future work programmes are directed towards establishing the pre-requisites for large scale field development. The recent contingent resource confirmed a clear pathway to 2P Reserves sufficient to underpin the first new independent production facility in the Cooper Basin.

The Southern Cooper Basin Gas Project has the potential to be a major (multi Tcf) supplier of gas to the East Coast gas markets of Australia and beyond.

2. GAS SALES AGREEMENTS

Strike has executed Gas Sales Agreements ("GSAs") with three major industrial gas users, Orica, Orora and Brickworks who have each made gas pre-payments to Strike to provide a portion of the funding to advance our appraisal program. Strike's gas supply obligations under the GSAs of up to 300PJ over 10 to 20 year terms are conditional upon achieving a final investment decision ("FID") for the commercialisation of the Southern Cooper Basin Gas Project.

These three customers have a combined gas requirement of up to ~23PJ per annum for a period of at least 10 years on a firm basis. The bulk of this gas will be transported to our customers' facilities within the East Coast market.

The terms of these GSA's are confidential. Each of these agreements provides for sales quality gas to be delivered by Strike at a pressure equivalent to the Moomba to Adelaide Pipeline System (MAPS) at a location within PEL 96 ("the Notional GSA Delivery Point"). Transportation of gas from the Notional GSA Delivery Point onwards is the responsibility of each customer.

In the context of the ACCC inquiry into the competitive dynamics of the East Coast gas market, the willingness of Strike's foundation customers to commit significant funding to facilitate the de-risking and development of the Southern Cooper Basin Gas Project underlines the impact of the East Coast LNG projects on the availability of term supply for the domestic industrial gas market.

3. SPECIFIC AREAS FOR INQUIRY

Reinforced by the support we have received from our foundation customers and evident unmet demand from other major industrial gas users who have approached Strike to contract additional supply, it is Strike's view that the need for major new cost competitive gas resources to be developed with the capacity to deliver into the East Coast gas market within the next 3-5 years is compelling.

Innovation and innovative approaches to gas exploration and development have historically come from small operators in the oil and gas industry – the large players have the expertise and experience at operating, fine tuning and scaling up new plays and technologies but are very rarely responsible for innovation or idea creation. The Queensland coal seam gas industry and the investment of $63 billion in the LNG projects is one clear example of this – the gas discoveries and initial development were sponsored by small companies.

The history of Strike's exploration and appraisal initiatives in the Cooper Basin are therefore relevant in informing "a comprehensive understanding of the structure of the gas industry" by the ACCC.

Please do not hesitate to contact either of the undersigned. Our contact details are provided below.

Yours sincerely,

David Wrench l Managing Director
Strike Energy Limited
david.wrench@strikeenergy.com.au

David Baker l Executive Director
Strike Energy Limited
david.baker@strikeenergy.com.au