

# Strike confirms Warrego Merger Proposal

Strike Energy Limited (ASX: STX) ("**Strike**") refers to Warrego Energy Limited's (ASX: WGO) ("**Warrego**") ASX release this morning dated 10 November 2022. In order to keep the market fully informed, Strike confirms that on 16 September 2022 it submitted a confidential, non-binding indicative all-scrip merger proposal to the Warrego Board ("**Initial Merger Proposal**").

The Initial Merger Proposal provided that the transaction would be implemented through a scheme of arrangement under which Warrego shareholders would receive 0.7142 new Strike shares for each Warrego share held. In addition, Warrego shareholders would also receive (on a pro rata basis) the full value of Warrego's Spanish assets via the distribution of the net proceeds resulting from the sale of these assets.

Subsequent to this proposal, on 16 October 2022 Strike provided a revised merger proposal under which Warrego Shareholders would receive 0.7521 new Strike shares for each Warrego share held, in addition to the net proceeds resulting from the sale of Warrego's Spanish assets ("**Revised Merger Proposal**"). Terms of the Revised Merger Proposal were consistent with the Initial Merger Proposal, with the exception that, at completion of the Scheme, one Warrego Nominee Director would be appointed to the merged entity's board.

Following submission of the Revised Merger Proposal and subsequent discussions, on 27 October 2022 the Board of Warrego confirmed (subject to satisfactory confirmatory due diligence, entry into binding transaction documents, and customary fiduciary outs) they intended to unanimously recommend a merger between the two companies at a share exchange ratio of 0.7750 new Strike Shares for each Warrego share held, in addition to the net proceeds from the sale of Warrego's Spanish assets ("**Agreed Merger Ratio**"). The transaction structure, and other terms were consistent with the Revised Merger Proposal.

Subsequent to 27 October 2022 both companies have been engaged in confirmatory due diligence and negotiation of appropriate binding transaction documentation under a mutual confidentiality agreement.

Upon implementation of a Scheme at the Agreed Merger Ratio, Strike shareholders would own ~72% of the combined entity (inclusive of Strike's existing ~7.6% ownership of Warrego), and Warrego shareholders excluding Strikes share would own ~28%.

Prior to the value realised for Warrego's Spanish assets to be distributed to Warrego shareholders, the Agreed Merger Ratio implies a transaction price of A\$0.186 per share (based on Strike's 30-day VWAP as at 27 October 2022) and represents a:

- 40.6% premium to Warrego's undisturbed price<sup>1</sup>;
- 34.2% premium to Warrego's 30-day volume weighted average price ("VWAP")<sup>2</sup>; and
- 33.7% premium to Warrego's 90-day VWAP<sup>3</sup>.

Strike continues to believe that a merger between Strike and Warrego at the Agreed Merger Ratio represents an extremely attractive opportunity to deliver compelling value accretion to both Strike and Warrego shareholders.

A merger between Strike and Warrego would create the leading ASX-listed Net Zero 2030<sup>4</sup> Perth Basin integrated energy, fertiliser and renewables company that would consolidate 100% ownership across the Erregulla region with a combined pro-forma ownership of 1,208 PJ of conventional 2P Reserves plus 2C

<sup>1</sup> Based on an undisturbed price as at 27 October 2022, being the date on which the Agreed Merger Ratio was determined. Premium based on Strike's closing price of A\$0.245 and Warrego's closing price of A\$0.135.

<sup>2</sup> Based on Strike's 30-day VWAP to 27 October 2022 of A\$0.2394 and Warrego's 30-day VWAP to 27 October 2022 of A\$0.1383.

<sup>3</sup> Based on Strike's 90-day VWAP to 27 October 2022 of A\$0.2538 and Warrego's 90-day VWAP to 27 October 2022 of A\$0.1471.

<sup>4</sup> Assumes the divestment of the Spanish assets in accordance with the terms of the Revised Merger Proposal.



Resources, of which 550 PJ of 2P Reserves and 301 PJ of 2C Resources exist within the Greater Erregulla permits.<sup>5</sup>

The consolidated ownership of these Greater Erregulla permits provides the opportunity to optimise, accelerate and maximise the development strategy of the high-quality conventional gas resources, focussing on the physical integration of Strike's 100% owned 3,500 hectares of land at the Mid-West Low Carbon Manufacturing Precinct for hosting critical infrastructure.

The combined entity would also possess a world class development portfolio in the low-risk jurisdiction of the Perth Basin in WA consisting of gas, hydrogen, renewable energy, carbon capture developments including Strike's flagship and nationally significant Project Haber low-carbon fertiliser development.

Strike has appointed Macquarie Capital (Australia) as financial advisor and DLA Piper as legal advisor.

This announcement is authorised for release by the Board of Strike Energy Limited.

## Contacts

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### About Warrego Energy Limited

Warrego Energy (ASX:WGO) is an Australian based gas exploration, development and production company focused on the development of onshore assets in Western Australia and Spain. Warrego owns 50% of EP469 located in the onshore Perth Basin, Western Australia.

### About Strike Energy Limited and Project Haber and Precinct Development

Strike Energy Limited (ASX:STX) aspires to be Australia's lowest cost and lowest carbon producer of urea, and a substantial supplier of competitive, low cost natural gas. These outcomes will be delivered through Strike's vertically integrated strategy, which will take Strike's low cost, low impurity natural gas endowment from the Perth Basin, combine it with the best-in-class manufacturing technology, and power it with the Mid West's abundant supplies of renewable energy.

The proposed Low Carbon Mid West Precinct development will be contingent on, among other things, successfully re-zoning the land for the intended renewable and industrial uses and obtaining all other required regulatory approvals, licences and authorisations. The successful development of Project Haber is contingent on, among other things, the outcomes of FEED on Project Haber, the proving up of sufficient gas reserves at South Erregulla, access to finance and (where required) equity participation, finalising urea offtake agreements, and obtaining all requisite regulatory and stakeholder permits, approvals and authorisations.

### Forward looking statements

Statements contained in this announcement, 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, Warrego or the proposed merged entity, 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, Warrego and any merged entity. Actual results, performance, actions and developments of Strike, Warrego and any merged entity may differ materially from those expressed or implied by the forward-looking statements in this announcement. Such forward-looking statements speak only as of the date of this announcement. There can be no

<sup>5</sup> Refer to Reserve and Resource Estimate notes at the end of this release.

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 this announcement. Investors should consider the forward looking statements contained in this announcement in light of those disclosures. To the maximum extent permitted by law (including the ASX Listing Rules), Strike and Warrego and any of each party's respective affiliates and their respective directors, officers, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this announcement 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 announcement, 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 announcement will under any circumstances create an implication that there has been no change in the affairs of Strike or Warrego since the date of this announcement.

### **Reserve and resource estimates**

Information in this presentation relating to the Reserve and Resource Estimates for:

- The West Erregulla Project is set out in the ASX announcement dated 28th July 2022 entitled "West Erregulla Reserves Upgraded by 41%". Strike's equity interest is 50% and Warrego's equity interest is 50%.
- The Walyering Reserve and Resource Estimate is set out in ASX announcement dated 21 July 2022 entitled "Independent Certification of Walyering Reserves". Strike's equity interest is 55%.
- The Oceanhill 2C Contingent Resource is set out in ASX announcement dated 10 October 2022 entitled "Independent Certification of Ocean Hill Gas Resource". Strike's equity interest is 100%.
- the Mid-West Geothermal Project Inferred Resource is set out in ASX announcement dated 5th May 2022 titled "Mid West Geothermal Power Project Inferred Resource Statement". Strike's equity interest, subject to grant of a geothermal exploration permit, is 100%.

This Reserve and Resource Estimate information must, therefore, be read in conjunction with the full text of the ASX releases referred to. Strike is unaware of any new information that materially impacts the information in these releases and confirms that all the material assumptions and technical parameters underpinning the estimates in these releases continue to apply and have not materially changed.

### **Manner of preparation**

Strike prepares its petroleum estimates in accordance with the 2018 Petroleum Resources Management System sponsored by the Society of Petroleum Engineers.

### **Information regarding Warrego's petroleum estimates**

The information regarding the Warrego's petroleum estimates in this announcement has been sourced using publicly available information and has not been independently verified by Strike. Strike has undertaken only limited due diligence in relation to the Warrego and its projects and may not be aware of all the material information, assumptions, facts and circumstances. Accordingly, Strike does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. While Strike has conducted due diligence on the proposed transaction, Warrego and its projects, Strike is unable to verify the accuracy or completeness of the information provided, and there is no assurance that this due diligence was conclusive and that all material issues and risks in relation to the proposed transaction, Warrego and its projects have been identified. Receipt of new, additional or updated information, assumptions or modifying factors may change Warrego's petroleum estimates and other forward-looking statements concerning Warrego and its projects in this announcement. To the extent that this information is incomplete, incorrect, inaccurate or misleading, there is a risk that the profitability and future results of the operations of Strike following the transaction may differ (including in a materially adverse way) from Strike's expectations as reflected in this document, or that additional liabilities may emerge.