

WARREGO/BEACH ENERGY SCHEME UPDATE

Warrego Energy Limited (ASX: WGO, Warrego) refers to its announcement dated 14 November 2022 advising that it had entered into a Scheme Implementation Deed ("SID") with Beach Energy Limited (ASX: BPT, Beach) under which Beach has agreed to acquire all the issued shares in Warrego by way of scheme of arrangement (the "Scheme"). Under the Scheme, Warrego shareholders would receive:

- * Cash consideration of \$0.20 per share (the "Base Scheme Consideration"); and
- * If Warrego's Spanish assets are sold, and such sale completes, within 12 months of implementation of the Scheme, their pro-rata share of the proceeds of such sale net of costs and taxes.

The Base Scheme Consideration of \$0.20 per share represents a 36% premium to Warrego's 1-month VWAP to 9 November 2022¹. Importantly, the all cash consideration under the Beach proposal delivers cash certain value to Warrego shareholders for their shares.

The Warrego Board has unanimously recommended that Warrego shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to an Independent Expert concluding, and continuing to conclude, that the Scheme is in the best interests of Warrego shareholders. Subject to those same qualifications, each Warrego Director has confirmed that they intend to vote any shares that they hold or control in favour of the Scheme.

Warrego provides certain clarifications and additional background for the benefit of its shareholders with respect to the Scheme and the recommendation by its Board, and refers to certain questions that were raised during Warrego's AGM held on 22 November 2022, regarding the Scheme.

1. **The recommendation of the Scheme follows many months of discussions with counterparties regarding a potential change of control transaction**

At the Warrego AGM, suggestions were made by certain shareholders, including a representative of Strike Energy Limited (ASX: STX, Strike) that the Warrego Board had not spent sufficient time assessing the Beach proposal, and may not have adequately considered the relative merits of the Strike all scrip proposal against the Beach cash bid. Warrego rejects that suggestion, and notes the following:

- * The Warrego Board has been actively looking to unlock value for Shareholders which included investigating the possibility of a change of control transaction for Warrego for many months prior to entry into the Beach SID on 14 November 2022, and had granted non-exclusive due diligence access to a number of parties during that period, including Strike and Beach, to enable them to put forward proposals for the Company.

¹ 9 November 2022 was the last trading day prior to the announcement of the Strike Energy Limited proposal by Warrego on 10 November 2022.

- * As at 11 November 2022, Warrego had been in discussions with Strike for almost two months on its non-binding and indicative all-scrip proposal. During that period, Strike had revised its confidential and non-binding proposal a number of times, leading to its most recent proposal on 27 October 2022, which increased the exchange ratio from 0.7142 to 0.775 Strike shares for each Warrego share. Warrego had also undertaken reverse due diligence on Strike and its assets.
 - * During this period, Warrego had also provided due diligence to Beach, and had received an earlier non-binding indicative proposal from Beach on 25 October 2022 at \$0.17 per Warrego share, which the Warrego Board considered but ultimately rejected. Warrego then, through its advisers, sought an increased offer from Beach. As previously disclosed, on 11 November 2022, Beach submitted a revised non-binding proposal at \$0.20 per Warrego share, plus the right to receive the net sale proceeds from the sale of Warrego's Spanish assets.²
 - * Based on Strike's closing share price of \$0.25 on 11 November 2022 (the last trading day before entry into the Beach SID), Beach's cash consideration (\$0.20 per share) was superior to the implied value of Strike's proposed scrip consideration (\$0.194 per share).
 - * In these circumstances, it is not credible for Strike to now claim that Warrego had rushed its assessment of Beach's proposal, and had not adequately considered the relative merits of the Strike all scrip proposal against the Beach cash bid before doing so. As shown from the above, the Warrego Board had undertaken that process over an extended period, which included a detailed review of Strike's non-West Erregulla assets and liabilities.
 - * Importantly, the Warrego Board's recommendation of the Beach offer is subject to no superior proposal being received. If a competing proposal is received, and the Warrego Board forms the view that the competing proposal is a superior proposal to the Beach offer, then, subject to compliance with the provisions in the SID, including Beach's matching right, the Warrego directors can change their recommendation to recommend that competing proposal. In these circumstances, Warrego would then be required to pay the 1% break fee to Beach.
2. **Beach's cash proposal removes uncertainty associated both with the funding and development of Warrego's assets and, relative to the Strike proposal, removes the uncertainties of Strike's share price and the funding, appraisal and development of Strike's assets**

Strike has suggested that Beach's cash proposal is finite in nature and ignores the upside potential in Strike's share price. Strike's proposal is a scrip proposal, so that the implied value of the proposal will depend on the price of Strike's shares at any particular time. So while the Strike proposal would have given Warrego shareholders exposure to any future increases in Strike's share price, it also would have exposed them to any decline in Strike's share price in the future. In contrast, the Beach offer provides Warrego shareholders with cash certain value for their shares.

² If those assets are sold, and such sale is completed, within 12 months following implementation of the scheme. Subject to the terms of the Beach SID, Warrego must use reasonable endeavours to sell the Spanish assets until the Implementation Date. Following Implementation, Beach must use reasonable endeavours to sell the Spanish assets as promptly as practicable, and to secure the most favourable terms and conditions which are reasonably available to it in the circumstances.

It is also important to note that, under the Strike proposal, Warrego shareholders would be taking exposure to Strike's other assets. Those other Strike assets include Strike's interest in the South Erregulla field, and its proposed fertiliser plant (which it calls Project Haber), which does not have financing and is at a conceptual stage only. There is no certainty that the development of these other assets will proceed.

Having considered the upside and downsides of the Strike scrip proposal and Beach's cash proposal, on balance, the Warrego Board determined that the Beach proposal provided an attractive offer for all shareholders due to the cash value being offered as well as the certainty of the value of that cash at the time of completion of a transaction.

Next steps

As mentioned in Warrego's announcement on 14 November 2022, the Scheme Booklet for the Beach Scheme is expected to be sent to Warrego shareholders in January 2023. The Scheme Booklet will include an independent expert's report on whether the Beach proposal is in the best interests of Warrego shareholders.

This announcement has been authorised for release by the Warrego Board.

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About Warrego Energy Limited

Warrego Energy is focused on the development of onshore assets in Australia and Spain. In Western Australia's prolific Perth Basin, the Company holds a 50% interest in EP469, including the West Erregulla gas project, and 100% of STP-EPA-0127, covering 8,700 km² (or 2.2 million acres).

In Spain, the Company holds an 85% working interest in the Tesorillo gas project in the Cadiz region and a 50.1% working interest in the El Romeral gas to power facility in the Seville region.

Website: www.warregoenergy.com