

Response to Warrego Energy's rejection of Strike's proposal to create the leading Perth Basin focused energy company

Strike Energy Limited (ASX:STX) ("Strike") notes the announcement by Warrego Energy Limited (ASX:WGO) ("**Warrego**") that it has rejected Strike's confidential, non-binding, indicative proposal to acquire 100% of Warrego for all-scrip consideration at a ratio of 1.2 Strike shares per Warrego share, to be executed by way of scheme of arrangement ("**Proposal**").

The Proposal was made after market close on 17th March 2020 and followed previous unsuccessful attempts by Strike to engage informally with Warrego regarding a combination of our respective companies to enhance value for both sets of shareholders.

Highly compelling Proposal for Warrego shareholders

Strike considers its Proposal to be highly compelling for Warrego shareholders, who would receive a substantial premium for their shares while retaining a significant ownership in, and participating in the future performance of, a combined company with a stronger balance sheet than Warrego on a standalone basis.

The Proposal of 1.2 Strike shares per Warrego share represents a **28% premium**¹ to Warrego's 5-day volume weighted average price to 20 March 2020, the trading day immediately prior to Warrego's announcement of Strike's Proposal.

The Proposal also indicated a willingness to explore structures that would allow Warrego shareholders to continue to retain 100% ownership or exposure to Warrego's non-Australian (Spanish) assets.

The rationale for a combination of Strike and Warrego is compelling given the potential for significant strategic and financial benefits, including:

- **Creation of the leading Perth Basin focused energy company** - the proposed combined entity will have 100% ownership of the exciting West Erregulla gas project, and the largest equity holding in the proven and highly prospective Permian gas fairway that includes Strike's 100% interest in the multi-Tcf potential South Erregulla prospect;
- **Certain interest versus uncertain dilution** - a more certain interest in West Erregulla for existing Warrego shareholders given the risk of significant dilution required to secure Warrego's funding position for the Q3 2020 West Erregulla appraisal programme and Q4 2020 Phase-1 FID decision;
- **Greater development certainty** - greater certainty for the future development of West Erregulla, including greater strength to access development funding on favourable terms;
- **Immediate funding solution** - immediate access to funding for Q3 2020 West Erregulla appraisal programme and Q4 2020 Phase-1 FID decision;
- **Enhanced gas marketing negotiations** - stronger negotiating position to secure gas marketing arrangements with WA gas customers on attractive terms; and
- **Material cost synergies** - the opportunity for reduced operating costs and to realise other corporate synergies.

1) Warrego's 5-day volume weighted average price to 20 March 2020 is 9.75c. The value of Strike's proposal as at 20 March 2020 is 12.48c, being 1.2 multiplied by Strike's 5-day volume weighted average price to 20 March 2020 (10.396c)

Proposal conditions and other matters

Any transaction would be subject to various conditions including:

- satisfactory completion of due diligence in respect Warrego's non-Australian (Spanish) assets;
- no material asset sales, divestments or similar transactions having occurred;
- no issuance of new equity having occurred;
- no changes to Warrego's capital structure having occurred, including entering into any new debt facilities; and
- a unanimous recommendation by Warrego's Board, agreeing a scheme implementation deed containing customary terms and conditions, and approval by Strike's Board.

For the avoidance of doubt, the Proposal does not constitute a takeover bid for Warrego and there is no certainty that Strike will make any further proposal or offer.

UBS is acting as financial advisor and Allen & Overy is acting as legal advisor to Strike in relation to the Proposal.

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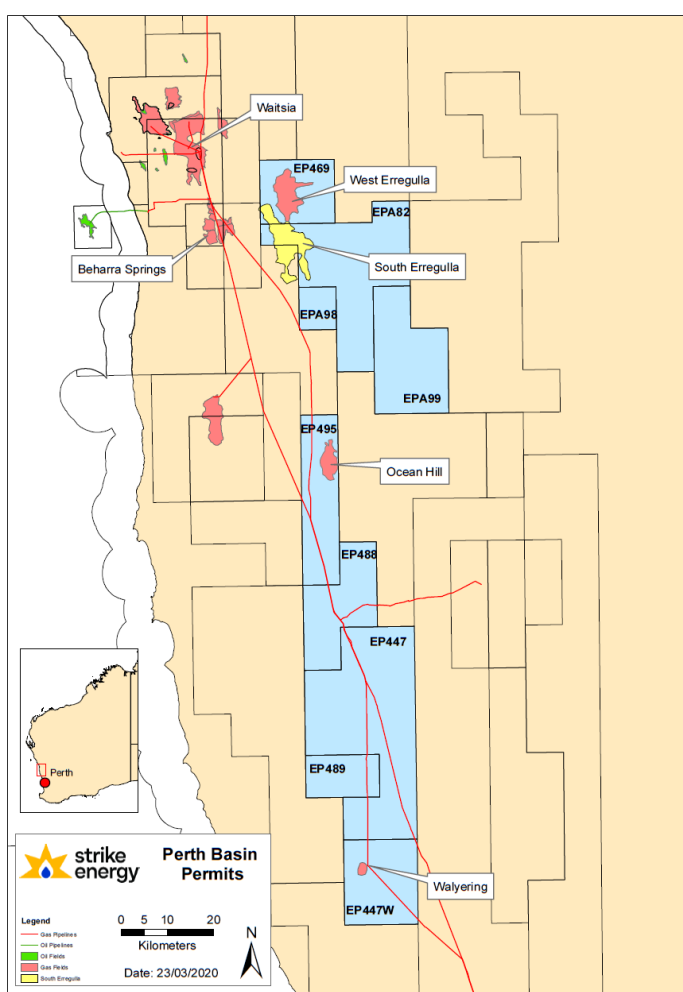
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Future Statements

Statements contained in this release (but not limited to those regarding the possible or assumed future costs, synergies, performance, dividends, returns, production levels or rates, oil and gas prices, reserve or resource potential, exploration drilling, potential growth of Strike or the combined Strike and Warrego entity, industry growth and any estimated company earnings) are or may be forward looking statements.





Such statements relate to future events and expectations and as such involve known and unknown risk and uncertainties associated with oil, gas, geothermal and related businesses, many of which are outside the control of Strike, and are not guarantees of future performance.

Although Strike believes that the expectations reflected in these statements are reasonable, they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results, actions and developments to differ materially from those expressed or implied by the statements in this release, including, but not limited to: price fluctuations, actual demand, drilling and production results, reserve estimates, regulatory developments, project delays or advancements and approvals and costs estimates.

Subject to any continuing obligations under applicable law and the Listing Rules of ASX Limited, Strike does not undertake any obligation to publicly update or revise any of the forward looking statements in this release or any changes in events, conditions or circumstances on which any such statement is based.

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