

ASX Announcement



11 November 2016

The Company Announcement Officer ASX Ltd
via electronic lodgement

\$4.5 Million Underwritten Rights Issue and Notice under Section 708AA of the Corporations Act 2001 (Cth)

The directors of Strike Energy Limited (ASX Code: "STX") (**Strike**) are pleased to announce an underwritten one (1) for fourteen (14) non-renounceable pro rata rights issue at an issue price of \$0.07 per new Strike share to raise up to approximately \$4.5 million (before costs and expenses) (**Rights Issue**).

The proceeds of the Rights Issue, after payment of the costs and expenses of the Rights Issue, will be used to fund continued field operations and commercial initiatives for Strike's majority owned and operated PEL 96 project, with the objective of driving the following key, near term value catalysts:

- Building and sustaining gas flow rates from continued pilot production testing at the Klebb wells;
- Reserve certification and development planning activities to support initial gas processing FID; and
- Application and grant of a new Production Retention Licence within PEL 96, opening up potential alternative commercialisation and funding options.

Shareholders who are registered as holders of shares with registered addresses in Australia or New Zealand as at 7pm Sydney time on Monday 21 November 2016 (**Record Date**) will be eligible to participate in the Rights issue (**Eligible Shareholders**).

The Rights Issue is fully underwritten by Taylor Collison Limited (**Underwriter**).

Directors, Simon Ashton, Brendan Ostwald and Jody Rowe have committed to take up all or part of their respective entitlements under the Rights Issue. In addition, David Baker and the two investment funds connected with Mark Carnegie have entered into sub-underwriting agreements with the Underwriter to partially sub-underwrite the Rights Issue. The combined sub-underwriting

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commitment is up to \$1,524,375 or approximately 34% of the Rights Issue, and may be partially satisfied by subscribing for their respective entitlements under the Rights Issue.

The Rights Issue will be conducted without a prospectus in accordance with section 708AA of the *Corporations Act 2001* (Cth), as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 (**Corporations Act**).

Full details of the Rights Issue, including details of the underwriting and sub-underwriting, and key dates for the Rights Issue, are set out in the Offer Memorandum and Appendix 3B lodged with ASX today. The Offer Memorandum is expected to be sent to Eligible Shareholders on Wednesday, 23 November 2016.

A summary of the key details of the Rights Issue is provided below.

RIGHTS ISSUE – KEY DETAILS

- Under the Rights Issue, Eligible Shareholders will be entitled to apply for one (1) new Strike share for every fourteen (14) Strike shares they hold as at the Record Date, at \$0.07 per new share.
- Eligible Shareholders will be offered the opportunity to apply for shares in excess of their entitlement (at the same price as their entitlement, of \$0.07 per share) under a 'Top-Up Facility' comprising any shortfall in acceptances for the Rights Issue (**Top-Up Facility**). The Top-Up Facility will be provided in priority to the Underwriter and the sub-underwriters.
- The issue price for the Rights Issue represents a discount of approximately:
 - 21.3% to the closing price of Strike's shares on 10 November 2016;
 - 26.8% to the 30 day volume weighted average price of Strike's shares prior to 11 November 2016; and
 - 21.8% to the 10 day volume weighted average price of Strike's shares prior to 11 November 2016.
- The maximum number of shares to be issued under the Rights Issue is 64,309,353 (based on the undiluted share capital of Strike as at the close of trade on 10 November 2016, without taking into account the impact of rounding and assuming no options or performance rights are converted into shares by the Record Date).
- Shareholders with registered addresses in countries outside of Australia and New Zealand will not be eligible to participate in the Rights Issue.

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- Strike shares will be quoted on an “ex” basis from Friday 18 November 2016 and therefore any Strike shares bought or sold on market on and from this date will not carry entitlements under the Rights Issue.
- The Rights Issue is non-renounceable. This means that shareholders’ right to subscribe for new Strike shares under the Rights Issue are not transferable.
- Holders of existing options for Strike shares have been given notice of their right to exercise their options in order to be eligible to participate in the Rights Issue in respect of the shares underlying their options.

SECTION 708AA NOTICE

Strike gives notice under section 708AA(2)(f) of the Corporations Act that:

- (1) the securities being offered under the Rights Issue will be offered for issue without disclosure to investors under Part 6D.2 of the Corporations Act;
- (2) as at the date of this announcement Strike has complied with the provisions of Chapter 2M of the Corporations Act as they apply to Strike and section 674 of the Corporations Act;
- (3) as at the date of this announcement there is no information that is excluded information under section 708AA(8) and (9) of the Corporations Act that has not already been disclosed to investors generally or in the Offer Memorandum and Appendix 3B lodged with ASX today other than as follows:
 - (a) In March 2014, Strike entered into a Gas Supply Agreement (**GSA**) with Orica International Pte Ltd (**Orica**) which provides Orica with the option to take up to a total prospective gas supply of 250 PJ, subject to certain conditions being satisfied. Details of that GSA were announced to the ASX on 25 March 2014. Strike is currently in discussions with Orica concerning the development strategy currently proposed by Strike for the Southern Cooper Basin Project and the parties’ respective commercial objectives given the time that has elapsed since the GSA was entered into. Those discussions may result in variations to the GSA. To facilitate those discussions, the parties have entered into an agreement under which they have agreed to continue the discussions until 22 November 2016 (subject to any agreed extension) or until a mutually acceptable outcome is agreed, if earlier. Orica and Strike have agreed to suspend certain rights under the GSA during that period which, if exercised, may lead to termination of the GSA
 - (b) In February 2014, Strike entered into a Gas Supply Option Agreement (in the form of a binding term sheet) with Austral Bricks, a subsidiary of Brickworks Limited. Details of that agreement were announced to ASX on 27 February 2014. Strike is currently negotiating with Brickworks the complete a Gas Supply Agreement to take the place of

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the binding term sheet and to reflect discussions between the parties subsequent to entering into that term sheet. Negotiations are not yet complete and an announcement will be made once the parties have reached agreement on the Gas Supply Agreement.

- (4) the potential effect the Rights Issue will have on the control of Strike's undiluted share capital will depend on the extent shareholders take up their entitlements.
 - (a) If all Eligible Shareholders take up their entitlements in full the Rights Issue will have no effect on the control of Strike.
 - (b) the proportional interests in Strike of those Eligible Shareholders who do not take up their entitlement in the Rights Issue will be diluted by those other Eligible Shareholders who take up some, or all of their entitlement, or take up all of their entitlement and participate in the shortfall under the Top-Up Facility, and by any participation in the shortfall by the Underwriter and any sub-underwriters;
 - (c) the proportional interests in Strike of shareholders who are ineligible to participate in the Rights Issue will be diluted because those ineligible shareholders are not entitled to participate in the Rights Issue;
 - (d) based on Strike's share register as at 10 November 2016, no Strike shareholder would have voting power of 20% or more if they were to take up their full entitlement under the Rights Issue and no other Shareholder participated in the Rights Issue and the underwriting was terminated;
 - (e) if no New Shares are taken up by Eligible Shareholders under the Offer, the voting power in Strike of the Underwriter could increase from 0% to a maximum of 6.7% if no sub-underwriting occurs (e.g if Sub-underwriters fail to fulfil their sub-underwriting commitments); or
 - (f) the voting power in Strike of Strike's largest shareholders, MHC Fund Services A Pty Ltd and MHC Fund Services B Pty Ltd, in which Chairman, Mark Carnegie is invested, and which are managed by a company ultimately controlled by Mr Carnegie, could increase from 7.2% to a maximum of 8.2% if they subscribe for their full entitlements and no other New Shares are taken up by Eligible Shareholders under the Offer, and they subscribe for the shares sub-underwritten by them as part of the full underwriting of the Rights Issue.
- (5) as no shareholder, underwriter or sub-underwriter will obtain or exceed voting power of 20% as a result of the Rights Issue, Strike does not consider there will be any consequences for any change in voting power that results from the Rights Issue.

Shareholders with any queries about the Rights Issue please contact Strike's Share Registry, Boardroom Pty Limited, on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia).

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Important Information

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or in any other jurisdiction in which such an offer would be illegal. The securities referred to in this document have not been and will not be registered under the United States Securities Act of 1933 (the **US Securities Act**), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, unless the securities have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available.

This document may not be distributed or released in the United States.

Yours faithfully

A handwritten signature in black ink, appearing to read "S McGuinness".

SEAN MCGUINNESS
Chief Financial Officer & Company Secretary