



# SUPPLEMENTARY BIDDER'S STATEMENT

CONTAINING RECOMMENDED OFFERS BY

## STRIKE ENERGY LIMITED

through its wholly owned subsidiary, Strike West Holdings Pty Ltd ACN 616 395 398

- TO ACQUIRE**
- all of your UIL Energy Ordinary Shares
  - all of your UIL Energy Preference Shares
- in UIL Energy Limited ACN 153 352 160
- FOR A PRICE OF**
- 0.485 Strike Energy Shares for every 1 of your UIL Energy Ordinary Shares
  - 0.485 Strike Energy Milestone Options for every 1 of your UIL Energy Preference Shares

**STRIKE ENERGY STRONGLY ENCOURAGES UIL ENERGY SHAREHOLDERS TO ACCEPT THE ORDINARY SHARE OFFER WITHOUT DELAY TO GAIN EXPOSURE TO THE STRIKE ENERGY PORTFOLIO OF OPPORTUNITIES AND TO AVOID THE RISKS ASSOCIATED WITH BEING A MINORITY**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to how to deal with it, you should consult your financial, legal or other professional adviser as soon as possible

Financial Adviser



Legal Adviser

**ALLEN & OVERY**

## 1. NATURE OF THIS DOCUMENT AND IMPORTANT NOTICES

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This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth) (**Corporations Act**) (**Supplementary Bidder's Statement**). It is supplementary to the bidder's statement dated 24 October 2018 and issued by Strike West Holdings Pty Ltd ACN 616 395 398 (**Strike West**), a wholly owned subsidiary of Strike Energy Limited ACN 078 012 745 (**Strike Energy**), in relation to its off market takeover bid for all Ordinary Shares and Preference Shares to UIL Energy Securityholders under Part 6.5 of the Corporations Act. This Supplementary Bidder's Statement supplements, and should be read together with Strike West's bidder's statement dated 24 October 2018 (**Bidder's Statement**).

Unless the context requires otherwise, defined terms in the Bidder's Statement have the same meaning in this Supplementary Bidder's Statement. This Supplementary Bidder's Statement prevails to the extent of any inconsistency.

## 2. SUPPLEMENTARY INFORMATION IN RELATION TO THE OFFERS

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### 2.1 Extension of the Offer Period

On 22 November 2018, Strike Energy announced an extension of the Offer Period until 7.00pm (Sydney time) on 14 December 2018 (unless the Offer Period is extended).

### 2.2 Ordinary Share Offer declared unconditional

On 28 November 2018, Strike Energy announced that following acceptance of the Ordinary Share Offer by UIL Energy's major unrelated shareholders, total acceptances had increased to greater than 50% and resolved to declare the Ordinary Share Offer unconditional.

As at the date of this Supplementary Bidder's Statement, total acceptances under the Ordinary Share Offer have increased to ~64.69%.

### 2.3 Change to the UIL Energy Board of Directors

As a consequence of Strike Energy reaching total acceptances under the Ordinary Share Offer of greater than 50% and the Ordinary Share Offer being declared unconditional, UIL Energy and Strike Energy agreed to:

- appoint Andrew Seaton (Chairman) and Stuart Nicholls as Directors to the UIL Energy Board; and
- procure the resignation of each of the current UIL Energy Directors other than Stephen Bizzell,

each effective immediately following closure of the UIL Energy annual general meeting on Friday, 30 November 2018. John de Stefani will remain as Chief Executive Officer to assist with the transition and integration of the Strike Energy and UIL Energy businesses.

Consequently, Strike Energy has now assumed control of day-to-day operations of the UIL Energy business.

### 2.4 Capital Raising

On 31 October 2018, Strike Energy announced the successful completion of a ~\$13 million placement to international and local institutional and professional investors involving the issue of 113,572,035 ordinary shares. Participants in the Capital Raising included M.H Carnegie & Co, Strike Energy's major shareholder. As announced on 4 December 2018, Strike Energy raised gross proceeds of ~\$1 million under the SPP.

Net proceeds from the Capital Raising will be used, in order of priority, to support the piloting activities of the Jaws wells at the Southern Cooper Basin Gas Project, the drilling of the West Erregulla-2 well at the West Erregulla Gas Project and, if funds are available at the relevant time, the progression of UIL Energy's work commitments in respect of its Perth Basin permits.

Net proceeds raised from the Capital Raising have been taken in to account as part of the updated intentions of Strike Energy for the UIL Energy permits in section 2.6 and the pro-forma financial position of the Merged Group as shown in section 2.8.

## **2.5 Proposed lifting of WA Fracking Moratorium**

During the Offer Period the Western Australia Government in consultation with the Independent Scientific Panel Inquiry into Hydraulic Fracture Stimulation in Western Australia has announced that it intends to lift the moratorium on hydraulic stimulation across the State. Several areas of exclusion with regards to the use of the technology were carved out with 44 recommendations being accepted by the State Government for all other Petroleum Leases. The exclusion zones do not cover either UIL Energy's or Strike Energy's existing titles.

UIL Energy's Southern tenements in the Perth Basin are prospective for the presence of unconventional hydrocarbons. Strike Energy's position in EP469 contains a tight gas discovery within the Dongara sands from the West Erregulla-1 well drilled in 1993.

Strike Energy views the proposed removal of the moratorium on hydraulic stimulation as a positive development and believes the Merged Group will be well positioned to progress any unconventional opportunities along with the conventional portfolio.

## **2.6 Updated intentions for UIL Energy's permits**

Strike Energy intends to actively progress and expedite, UIL Energy's northern applications for exploration permits (being EPA 82, EPA 98 and EPA 99) towards grant. Once granted, Strike Energy intends to carry out exploration activities including 3D seismic surveys to determine the prospectivity of the target Kingia-High Cliff sandstone in the permits along trend from West Erregulla should the drilling of West Erregulla-2 be successful.

Having regard to:

- the impact of the proposed lifting of the WA fracking moratorium on UIL Energy's granted southern permits;
- the relatively substantial work commitments due to be satisfied in 2019 across UIL Energy's granted southern permits; and
- the net amount raised under the Capital Raising,

Strike Energy intends to work with the regulator to secure additional time to deliver the 2019 work program for UIL Energy's granted southern permits should Strike Energy not be able to procure the full funding required to complete those commitments within the required timeframes. There is no guarantee the Minister will grant an extension and suspension for any or all of the UIL permit commitments, in which case there is a risk of forfeiture of the relevant permits.

There is no assurance that Strike Energy will be successful in raising additional capital as and when it is required in order to progress development of the UIL Energy permits. Market conditions may prevent or make it difficult for Strike Energy to obtain such funding on commercially acceptable terms.

## **2.7 Delisting of UIL Energy**

In light of the current level of acceptances under the Ordinary Share Offer, and the relatively low number of UIL Energy Shareholders holding marketable parcels who have not accepted the Ordinary Share Offer, Strike Energy intends to seek the removal of UIL Energy from the official list of the ASX if it becomes entitled to do so.

ASX regulatory guidance provides that UIL Energy Shareholder approval will not usually be required for the removal of UIL Energy from the official list of the ASX where the usual conditions are met. These conditions require Strike Energy to make a request to the ASX following a successful takeover bid in circumstances where, broadly:

- Strike West and its related bodies corporate own or control at least 75% but less than 90% of the UIL Energy Ordinary Shares; and
- there are less than 150 UIL Energy Shareholders (other than Strike West and its related bodies corporate) who have holdings of UIL Energy Ordinary Shares with a value more than \$500.

## 2.8 Updated pro-forma financial position of the Merged Group assuming the acquisition of 100% of UIL Energy Ordinary Shares

Pro-forma 30 Sept 2018 (\$'000)	Strike Energy	Subsequent Events	UIL Energy	Adjustments	Pro-forma
<b>Current Assets</b>					
Cash and cash equivalents	1,860	13,114	1,162	108	16,244
Trade and other receivables	200	-	15	-	215
Other financial assets	167	-	-	-	167
Other current assets	-	-	23	-	23
<b>Total current assets</b>	<b>2,227</b>	<b>13,114</b>	<b>1,200</b>	<b>108</b>	<b>16,649</b>
<b>Non-Current Assets</b>					
Exploration and evaluation assets	86,559	-	9,158	6,458	102,175
Property, plant & equipment	77	-	2	-	79
Other financial assets	-	-	-	-	-
<b>Total non-current assets</b>	<b>86,636</b>	<b>-</b>	<b>9,160</b>	<b>6,458</b>	<b>102,254</b>
<b>Total assets</b>	<b>88,863</b>	<b>13,114</b>	<b>10,360</b>	<b>6,566</b>	<b>118,903</b>
<b>Current Liabilities</b>					
Trade and other payables	925	-	332	-	1,257
Employee benefits	221	-	-	-	221
Provisions	-	-	-	-	-
Borrowings	5,265	-	-	-	5,265
<b>Total current liabilities</b>	<b>6,411</b>	<b>-</b>	<b>332</b>	<b>-</b>	<b>6,743</b>
<b>Non-Current Liabilities</b>					
Employee benefits	54	-	-	-	54
Provisions	1,965	-	-	-	1,965
Borrowings	2,450	-	-	-	2,450
Other liabilities	12,277	-	-	-	12,277
<b>Total non-current liabilities</b>	<b>16,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,746</b>
<b>Total liabilities</b>	<b>23,157</b>	<b>-</b>	<b>332</b>	<b>-</b>	<b>23,489</b>
<b>Net assets</b>	<b>65,706</b>	<b>13,114</b>	<b>10,028</b>	<b>6,566</b>	<b>95,414</b>
<b>Equity</b>					
Issued capital	143,777	14,110	19,642	(3,454)	174,075
Preference equity	-	-	-	-	-
Reserves	1,503	-	1,971	(1,565)	1,909
Accumulated losses	(79,574)	(996)	(11,585)	11,585	(80,570)
<b>Total equity</b>	<b>65,706</b>	<b>13,114</b>	<b>10,028</b>	<b>6,566</b>	<b>95,414</b>

### Assumptions and adjustments:

- Based on the unaudited balance sheets and the Appendix 5B cash flow statements of Strike Energy and UIL Energy as at 30 September 2018.
- Acquisition accounting based on the terms of the Ordinary Share Offer set out in Schedule 1 in the Bidder's Statement.
- Pro-forma adjustments assume that 100% of UIL Shares are acquired.
- Net proceeds of the Capital Raisings of ~\$13.1m have been included.
- UIL Energy 5c options are exercised by UIL Energy Directors and cash is received.
- Transaction costs associated have not been included.
- Tax effect accounting has not been adjusted.
- The pro-forma balance sheet is indicative only and will vary in aggregate as well as assets and liability classes following the comprehensive fair value assessment of the UIL assets and liabilities upon completion of the Offers including fair value purchase price allocation and related tax effect accounting.
- Accounting policies and matters of significant judgment based on publicly available information.

## 2.9 Extension of CBA Facility

CBA has advised Strike Energy that it has approved an extension to the \$5,400,000 debt facility due to mature on 30 November 2018 until 31 March 2019, subject to the finalisation and execution of formal documentation. CBA has granted a temporary extension whilst the full terms and conditions of the facility extension is documented.

## 2.10 Capital structure of the Merged Group

The capital structure of the Merged Group will be as follows:

Class	Assuming acquisition of 100% UIL Energy Ordinary Shares and UIL Energy Preference Shares
Ordinary Shares	1,364,087,302
Strike \$0.120 Options	2,000,000
Strike \$0.150 Options	26,000,000
Strike Energy 10.3c Options	5,587,702
Strike Energy 15.5c Options	1,091,250
Strike Energy Milestone Options	16,975,000
Strike Performance Rights	9,430,299

Assumptions:

- the Ordinary Share Offer is accepted by all UIL Energy Shareholders;
- the Company will issue 9,124,426 fully paid ordinary shares (subject to clearing of remaining funds);
- the Preference Share Offer is accepted all UIL Energy Preference Shareholders; and
- all current holders of UIL Energy Options enter into an option cancellation agreement with Strike Energy and do not exercise their UIL Energy Options.

## 3. ACCEPTANCE OF THE OFFERS

### 3.1 Reasons to accept

The UIL Energy Board continues to unanimously recommend that UIL Energy securityholders **ACCEPT** the Offers (in the absence of a superior proposal) having already accepted the Ordinary Share Offer in respect of all shares they hold or control. Strike Energy notes it is now considered highly unlikely that a superior proposal will emerge.

UIL Energy securityholders are encouraged to refer to the Bidder's Statement released on 24 October 2018 including information on the risks associated with not accepting the Offers, and the Target's Statement released on 7 November 2018 that included an Independent Expert's Report, which concluded that each of the Offers are **FAIR AND REASONABLE** to UIL Energy Securityholders.

### 3.2 Risks associated with being a minority UIL Energy shareholder

UIL Energy shareholders who do not accept the Ordinary Share Offer will remain as minority shareholders and be subject to a number of additional risks, including:

- the presence of a major shareholder is likely to significantly reduce the liquidity in UIL Energy Ordinary Shares, noting that UIL Energy is already thinly traded;
- should Strike Energy choose to de-list UIL Energy if the applicable conditions are met, as discussed further in section 2.7, then remaining UIL Energy Shareholders will have almost no liquidity as the shares will not be actively traded;
- if the Ordinary Share Offer closes with Strike Energy holding less than 90% of shares, UIL Energy's share price may fall below the implied value of the Ordinary Share Offer and potentially lower than the price of UIL Energy Ordinary Shares prior to announcement of the Offers;
- Strike Energy intends to develop UIL Energy's assets expediently subject to the availability of funding. Strike Energy currently believes that the best method to raise the required funding would be through the issue of new UIL Energy

Ordinary Shares. UIL Energy Shareholders who remain on the UIL Energy share register should consider the implications of any such share issue or issues, both if they participate in an issue and if they do not; and

- there is likely to be a greater difficulty in realising value for UIL Energy Ordinary Shares with Strike Energy holding a blocking stake to any proposals received from a rival bidder.

### **3.3 How to accept**

If you have already accepted the Offers you need not take any action. If you have not yet accepted the offers for your UIL Energy Ordinary Shares or UIL Energy Preference Shares, we encourage you to accept without delay.

The Offers are due to close at 7.00 pm (Sydney time) on 14 December 2018 (unless the offer period is extended).

If you have any queries in relation to how to accept the offers or any other matter relating to the takeover bids, please call the offer information line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia, charges apply) between 8.30am and 5.00pm (Sydney time) Monday to Friday.

## **4. ADDITIONAL INFORMATION**

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A copy of this Supplementary Bidder's Statement was lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for the content of this Supplementary Bidder's Statement.

Signed for and on behalf of Strike West by the sole director of Strike West.



Stuart Nicholls  
Sole Director

4 December 2018