

ASX Announcement

20 June 2017



Isabella Wong
Adviser, Listings
ASX Compliance
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Isabella

Notice from Dawney & Co Pty Ltd

AWE Limited (ASX Code: AWE) refers to its announcement yesterday that it had received from Dawney & Co Pty Ltd ("Dawney") an offer to enter into call option agreements with AWE shareholders to acquire up to a maximum of 19.99% of the shares in AWE ("Dawney Proposal").

Dawney claims that it, together with unidentified associates, currently has a relevant interest of 885,000 AWE shares representing approximately 0.17% of total shares outstanding.

Overview of the Dawney Proposal

AWE has now reviewed the Dawney Proposal, and notes the following:

- The Dawney Proposal is not an 'offer' to acquire shares in AWE;
- Dawney is proposing that AWE shareholders enter into option agreements with it, pursuant to which Dawney would have the right, but not the obligation, to acquire their shares for A\$0.56 per share ("Option Agreements");
- Dawney has limited the maximum number of acceptances of this offer to up to a maximum of 19.99% of AWE shares outstanding with scaling for over-acceptances;
- AWE shareholders receive no payment from Dawney as consideration for entering into these Option Agreements ("Option Consideration"); and
- To the extent AWE shareholders enter into the Option Agreements, Dawney may:
 - o do nothing and let the Option Agreements lapse without payment of any consideration to AWE shareholders;
 - o exercise those options and acquire the underlying AWE shares from existing shareholders for A\$0.56 per share; or



- assign the Option Agreements to an unidentified third party. The third party may choose to exercise the Option Agreements and acquire the AWE shares from existing shareholders for A\$0.56 per share.
- To the extent Dawney receives consideration from the unidentified third party for assigning the Option Agreements, Dawney proposes to pay AWE shareholders 95% of the Net Sale Proceeds that are received from the third party. The Net Sale Proceeds comprise the gross proceeds received by Dawney in consideration for the assignment of the Option Agreements less any fees, commissions or legal expenses in relation to the sale.

AWE observations on the Dawney Proposal

After reviewing the Dawney Proposal, AWE has identified a number of issues for AWE shareholders in accepting that offer that are not explained in the document, including the following:

- **No upfront consideration** - Dawney is not paying any upfront consideration to AWE shareholders in exchange for granting Dawney the call options under the proposed Option Agreements (as is customary). This is despite Dawney itself acknowledging that the call option has some value.
- **No certainty of future value** - Dawney retains sole discretion whether to exercise the Option Agreements, unless the Option Agreements are assigned to a third party in which case that third party will then decide whether to exercise the Options. If Dawney, or a third party assignee of the Option Agreements allows the Option Agreements to lapse then AWE shareholders will receive no consideration at all under the Dawney Proposal. This is despite the letter from Dawney stating that its proposal provides AWE shareholders with 'certainty of value' for their shares.
- **Risk that AWE shareholders do not receive full value above A\$0.56 per share** – Dawney has indicated that it may assign the Option Agreements to an unidentified third party and 95% of net consideration received will be shared with AWE shareholders. In this circumstance Dawney would be entitled to keep 5% of the proceeds received above A\$0.56 per share without having paid any upfront consideration to AWE shareholders. AWE notes that the Net Sales Proceeds available for sharing with AWE shareholders is reduced by potentially material legal and advisory fees that are not discussed in Dawney's documentation lodged with ASX.
- **Potential for AWE shareholders not to receive any value above A\$0.56 per share** – While Dawney has reserved the right to assign the Option Agreements to a third party, it is not obliged to do so, and could exercise the Options itself, subject to paying the \$0.56 per share exercise price. This means that if Dawney then sells the underlying shares to a third party for more than \$0.56 per share, Dawney can retain 100% of the excess over the exercise price. AWE shareholders who accepted the offer would therefore receive no upside on their shares above the exercise price.
- **Reduced flexibility to deal with shares during option exercise period** - Any AWE shareholder that enters into an Option Agreement with Dawney will not be able to sell any shares subject to the Option Agreement before 10 September 2017 without being subject to the risk that Dawney may exercise the option and require the transfer of those shares. This restricts the ability of shareholders to sell their shares during the period without any certainty of receiving any consideration from Dawney.
- **Unidentified third party's intentions** - Dawney has indicated that it intends to seek to assign the Option Agreements to an unidentified third party following entering into those agreements with AWE shareholders. There is no certainty that any third party's subsequent actions would be in the best interests of all AWE shareholders.

In light of the above, AWE believes that shareholders should ignore the 'offer document' from Dawney, and take no action in relation to it.

Continued delivery of strategy to grow shareholder value

AWE is a uniquely positioned company. We have completed our divestment programme and we are well positioned to deliver on our significant growth potential. We remain focused on delivering on our stated strategy to grow shareholder value by maximizing production and revenue growth from existing gas assets, delivering our high value development projects and targeting production and reserves growth through selective acquisitions.

Calendar year 2017 is an important year for AWE with a number of major catalysts and milestones. We have completed the BassGas MLE project and continue to see strong production at BassGas, Casino and the Waitsia Stage 1A project. We are currently executing the Waitsia-3 and Waitsia-4 appraisal program as we advance towards a target FID by the end of calendar year 2017 for the 100TJ/d Stage 2 development. We continue to advance our gas marketing activities in Western Australia with potential customers following the agreed term sheet executed with AGL in February 2017. The Indonesian Ande Ande Lumut oil project is currently in the process of revising the approved Plan of Development to include the recently confirmed G sand discovery.

Your Board looks forward to updating shareholders further as these initiatives are progressed.

Yours sincerely

Bruce Phillips
Chairman