



## Armour Energy Limited

11 September 2015

### Update on Westside Bid

The Directors of Armour Energy Limited (Armour, the Company, ASX: AJQ) have today announced that definitive binding agreements have been signed with an Australian affiliate of American Energy Partners, LP (“American Energy”), for an expanded farm-out that will accelerate the exploration and development of Armour’s McArthur Basin oil and gas tenements in the Northern Territory of Australia. The binding agreements (“Transaction Agreements”) provide US\$130m in Phase One funding, and assist Armour to access up to US\$130m of debt funding for Phase Two appraisal and development, and provides Armour post-completion cash inflows of A\$39.5m (“American Energy Transaction”).

The Directors of Armour have made the American Energy agreements conditional on Armour shareholder approval. As Armour has entered into the agreements, it has triggered a defeating condition of Westside’s unsolicited takeover offer for Armour. The Board of Armour unanimously recommends the American Energy transactions to shareholders (in the absence of a superior proposal) and advises that shareholders should **REJECT** Westside’s current inadequate bid.

#### Westside Takeover Bid

On 31 August 2015, Westside Corporation Limited (“Westside”) announced an unsolicited, hostile takeover bid for all of the Shares in Armour at A\$0.12 per share (“Westside Bid”).

The entry into the Transaction Agreements with American Energy (which follows the Letter of Intent with American Energy initially announced on 20 August 2015, prior to Westside’s Bid) has important implications for the conditions of the Westside Bid. It is likely that the entry into the Transaction Agreements with American Energy constitutes a breach of the condition contained in paragraph (b) of Appendix 2 of the Westside Bidder’s Statement (“American Energy Condition”). The implication of this is that the Westside Bid may be withdrawn. Additionally, unless Westside waives the American Energy Condition, it is likely that the American Energy Condition of the Westside Bid cannot be satisfied.

With the above in mind, the Company has made all of the Transaction Agreements conditional upon them being approved by Armour’s shareholders. In effect, Armour shareholders are now being asked to choose between the American Energy Transaction and the Westside Bid, in the absence of any further superior alternative.

Accordingly, the Board calls upon Westside to update the market as to their intentions in respect of the Company as a result of the entry into the Transaction Agreements (which, again for the avoidance of doubt, is subject to shareholder approval).

The Board unanimously recommends the American Energy Transaction to shareholders (in the absence of a superior proposal), and advise that shareholders should **REJECT** the current Westside Bid (and to take no action in respect of any documents sent by Westside), as in the Board's opinion, it is inadequate and fails to reflect the full value of the Company, nor does it offer Armour shareholders the opportunity to enjoy the upside of the Company's future exploration and production initiatives.

The Board considers that the American Energy Transaction is superior to the Westside Offer as:

1. The American Energy Transaction is not a control transaction. That is, under the American Energy Transaction Armour shareholders will retain their ownership of the Company (although with a reduced interest in the Company's Northern Territory tenements), whereas under the Westside Bid, shareholders will lose the potential to benefit from any and all upside in the Company. The Board believes that shareholders are entitled to benefit from the value to be extracted from Armour's assets through receiving a fair price for their shares, which is not currently the case with the Westside Bid;
2. The Westside Bid values the Company at approximately A\$36.6 million (on a control basis), whereas the American Energy Transaction values the Company (purely on the implied valuation following the subscription by American Energy of 33.7 million new ordinary shares at A\$0.20) at approximately A\$67.5 million (on a non-control basis);
3. The total amount of cash to be injected into Armour as a result of proceeding with the American Energy Transaction is circa A\$40m, the consideration for which is a 9.9% share capital dilution together with the 75% farm-out of its Northern Territory tenements. This exceeds the total value of the Westside Bid for a 100% acquisition of Armour;
4. The American Energy farm-in to the Northern Territory tenements only (ie. putting aside the Queensland, Victorian and other assets of Armour) ascribes a farm-out value on the total expenditure, and cash and bonus payments, of approximately A\$94m to the Company. This value alone is approximately 2.5 times the Westside Bid; and
5. The Westside Bid (having been lodged on 31 August 2015) does not place any value on Armour's acquisition and recommissioning of the Roma Shelf assets from Origin Energy Limited, as announced to the market by Armour on 2 September 2015. The Board believes that the operative assets and the resources acquired as part of the Origin transaction will transform Armour into an explorer / producer with revenue streams. Armour considers the replacement value of the infrastructure acquired to be at least \$250m.

The entry into the Transaction Agreements likely constitutes a breach of the "American Energy Condition" in the Westside Bid. The American Energy Condition effectively requires Armour to not proceed with the American Energy Transaction. The issue of the Shares and Options contemplated under the Transaction Agreements would also constitute a breach of the condition contained in paragraph (c)(iv) of Annexure 2 of the Bidder's Statement (and the provisions of ASX Listing Rule 7.9). However, the issue of securities pursuant to the Transaction Agreements is being put to Armour shareholders for their consideration (which is an express exception to the prohibition in ASX Listing Rule 7.9). Accordingly, no securities will be issued by the Company under the Transaction Agreements unless and until they have been approved by Armour shareholders.



A handwritten signature in blue ink, appearing to read "K. Schlobohm".

On behalf of the board  
Karl Schlobohm  
Company Secretary

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**About Armour Energy**

Armour Energy is focused on the discovery and development of world class gas and associated liquids resources in an extensive and recently recognised hydrocarbon province in northern Australia. This region has only recently had its shale potential identified by Armour Energy. The domestic and global demand for gas, combined with the new shale extractive technologies and experienced personnel, provides Armour with an extraordinary opportunity to define and ultimately develop a new liquids rich gas province.

Armour Energy's permit areas are characterised by low population densities, cooperative stakeholders and aspects of the natural environment suited to the exploration and development of a future gas and liquids province. Armour places considerable importance on close liaison with traditional owners and all stakeholders.

Armour Energy is focusing on the exploration of the McArthur, South Nicholson and Georgina Basins in the Northern Territory and Queensland, and in the onshore Gippsland Basin in Victoria in joint venture with Lakes Oil, for gas and associated petroleum liquids.

Further information regarding Armour Energy Limited is available on Armour's website at [www.armourenergy.com.au](http://www.armourenergy.com.au)