



# Supplementary Material to Notice of Extraordinary General Meeting and Explanatory Memorandum

---

Armour Energy Limited ACN 141 198 414

Date of Meeting: Friday, 30 October 2015

Time of Meeting: 2:00pm (Brisbane time)

Place of Meeting: HopgoodGanim  
Level 7, Waterfront Place  
1 Eagle Street,  
Brisbane, Queensland

Armour Energy Limited ACN 141 198 414 (**Company**) wishes to provide the following additional information to Shareholders in respect of the Notice of Extraordinary General Meeting dated 30 September 2015 (**Notice**) in respect of the meeting to be held at HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street Brisbane, Queensland, on Friday, 30 October 2015 at 2:00pm (Brisbane time).

**By order of the board**

A handwritten signature in blue ink, appearing to read "K. Schlobohm", written over a horizontal line.

Mr Karl Schlobohm  
Company Secretary  
20 October 2015

# Supplementary Material to Notice of Extraordinary General Meeting

## 1. Introduction

---

At the Extraordinary General Meeting to be held at HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street Brisbane, Queensland, on Friday, 30 October 2015 at 2:00pm (Brisbane time), shareholders will be asked to consider approval of the following resolutions in respect of the American Energy Transaction, namely;

- Resolution 1 – Approval of agreements with AEGP Australia Pty Ltd
- Resolution 2 - Approval of issue of shares to AEGP Australia Pty Ltd
- Resolution 3 - Approval of issue of options to AEGP Australia Pty Ltd

The agreements entered into by the Company with AEGP comprise:

- (a) a farm-out agreement providing for AEGP to spend up to US\$130m over five years during Phase 1 (together with a payment to the Company of up to US\$13m and further potential bonus payments totalling up to US\$10m) to earn up to 75% of the Farm-in Tenements in the McArthur Basin (**Armour Farm-out Agreement**);
- (b) an operating agreement allowing AEGP to have the operational responsibility of the Farm-in Tenements during the duration of the Armour Farm-out Agreement ;
- (c) an agreement for the issue of 24,000,000 AE Options to AEGP on closing of the Farm-out Agreement (subject to pro-rata adjustment) (**Armour Option Deed**); and
- (d) a placement agreement for the placement of Shares which will comprising 9.99% of the issued share capital of the Company to be issued at an issue price of 20 cents in two tranches of shares comprising 5.00% of the issued capital (determined at the time of issue of the first tranche) upon obtaining shareholder approvals and shares comprising 4.99% of the issued capital (determined at the time of the issue of the first tranche) on closing of the Farm-out Agreement (**Armour Share Subscription Agreement**).

The conditions to the Armour Share Subscription Agreement must be satisfied by 31 October 2015 and to Armour Farm-out Agreement and the Armour Option Deed, **9 January 2016**. Full details of these agreements and the three (3) Resolutions are set out in the Notice of Meeting.

## 2. Increase in WestSide Offer

---

On 31 August 2015, WestSide announced its intention to make the WestSide Offer.

The WestSide Offer is subject to the Conditions, which relevantly include:

- (a) WestSide achieving at least 50.1% acceptances;
- (b) the farm-out aspect of the American Energy Transaction not being entered into;
- (c) prescribed occurrences including:
  - (1) the Company not issuing any shares or granting an option over Shares or agreeing to make such an issue or grant such an option; and
  - (2) the Company disposing, or agreeing to dispose, the whole, or a substantial part, of its business or property.

WestSide may waive a Condition that has been breached.

## Supplementary Material to Notice of Extraordinary General Meeting

At the time of the Notice of Meeting, the Directors had unanimously rejected the WestSide Offer and advised Shareholders to take no action in respect of the WestSide Offer, as the Directors believed **at that time**, that the WestSide Offer was opportunistic and inadequate and that it significantly undervalued the Company both in terms of its existing assets and the potential value the Company expects to deliver to Shareholders in the near future.

As announced to ASX on 15 October 2015, following discussions between Armour and WestSide, WestSide has agreed to increase its cash offer price to \$0.20 per share ("Revised WestSide Offer").

If the Revised WestSide Offer becomes unconditional, Armour will declare a dividend in specie of 6.9755 shares in Lakes Oil N.L. for each Armour share held on the business day prior to the Revised WestSide Offer becoming unconditional (subject to an ASX waiver). Based on the Independent Expert Report, the dividend in specie provides an additional value of 1.4 cents per Armour Share.

The dividend in specie distribution will be treated as an unfranked dividend and recipients may incur a tax liability in respect of the dividend. Recipients will need to seek their own tax advice as to the treatment of the dividend in the context of their individual circumstances.

The Revised WestSide Offer values Armour issued shares at approximately A\$60.9 million excluding the Lakes Oil dividend in specie.

Armour and WestSide have entered into a Bid Implementation Agreement (BIA) dated 15 October 2015.

Under the BIA, in addition to the Revised WestSide Offer, WestSide has agreed, if required by Armour at any time during the Offer Period, to provide to Armour up to A\$22,500,000 worth of unsecured funding (**Bridging Facility**):

- (a) if during the Offer Period, WestSide has obtained a relevant interest in at least 50.1% of Armour shares (and the offer is otherwise unconditional) or DGR Global Limited, Armour's largest shareholder, makes a public "truth in takeovers" statement that it intends to support the offer on the same basis as each director of Armour, and only in the event the DGR Finance Proposal is fully drawn, provide up to \$7,500,000 to the extent required to:
  - (1) fund the acquisition consideration of the Roma Shelf Assets Agreements; and
  - (2) pay any environmental bonds following the completion of the Roma Shelf Assets Agreements, in each case in accordance with the terms of the Roma Shelf Assets Agreements; and
- (b) if a Change in Control occurs as a result of the Takeover Bid and a right of repayment is triggered under the DGR Financing Proposal, repay the DGR Finance Proposal, up to an amount of \$15,000,000, provided the DGR Finance Proposal has been drawn for the purpose of meeting obligations under the Roma Shelf Assets Agreements).

The Bridging Facility will be provided on the terms disclosed in the BIA which has been released to the ASX.

WestSide may terminate the BIA by notice in writing to Armour Energy if:

- (a) any director of Armour does not recommend the Takeover Bid be accepted by Armour Shareholders or having recommended the Takeover Bid, withdraws or adversely modifies his or her recommendation of the Takeover Bid;
- (b) any director of Armour does not recommend voting against the Northern Territory Farm-out, or having recommended voting against the Northern Territory Farm-out, withdraws or adversely modifies his or her recommendation;
- (c) Armour Shareholders vote in favour of the Northern Territory Farm-out at the EGM or the EGM is cancelled, postponed or adjourned (except in the event of the termination of the Northern Territory Farm-out prior to the EGM or as otherwise contemplated by this agreement); or

# Supplementary Material to Notice of Extraordinary General Meeting

- (d) there is any variation of, or waiver of rights under, the AEP Agreements (or any agreement, offer, resolution or announcement in connection with any such variation or waiver).

After careful consideration, the Armour Directors unanimously recommend that Armour shareholders accept the Revised WestSide Offer, in the absence of a superior proposal.

The Armour Directors intend to accept the Revised WestSide Offer in respect of all the Armour shares they own or control, in the absence of a superior proposal.

## 2.2 Independent Expert Report

The Notice of Meeting was accompanied by the AE Independent Expert Report prepared by BDO that concludes that the American Energy Transaction is fair and reasonable to the non-associated Shareholders.

In the AE Independent Expert's Report BDO confirmed that in their opinion, in the absence of any other information, the entry into the American Energy Transaction is fair and reasonable to the Company's Shareholders whose votes in relation to Resolutions 1, 2 and 3 are not to be disregarded.

Shareholders are urged to read the AE Independent Expert's Report before voting on Resolutions 1, 2 and 3.

## 3. Directors Recommendations in view of Increase in WestSide Offer

---

The Directors recommend Shareholders read this Supplementary Notice, the Notice of Meeting and the AE Independent Expert report in full before making any decision in relation to the resolutions 1, 2 and 3.

The WestSide Offer potentially represents an alternative transaction to the American Energy Transaction. In addition, the entry by the Company into the American Energy Transaction and the issue of the Placement Shares and AE Options contemplated under that transaction constitutes a breach of the Conditions of the WestSide Offer.

The Board notes that Shareholders may be required to make a choice between the American Energy Transaction and the WestSide Offer in the event WestSide seeks to rely on breaches of the WestSide Offer conditions as a result of the American Energy Transaction.

The reason that Shareholders are required to choose between the two transactions is that the Company is in breach of the Conditions of the WestSide Offer as a result of its entry into the American Energy Transaction and WestSide has announced (in its ASX announcement on 22 September 2015) that it intends to exercise its right to withdraw the WestSide Offer (or to allow it to lapse) for breach of the Conditions in relation to the Northern Territory farm-out should the Company hold this Meeting before the expiration of the WestSide Offer and Shareholders vote in favour of the American Energy Transaction. In the interim, WestSide has continued to reserve its position to exercise its right of withdrawal earlier based upon the entry into the American Energy Transaction. Accordingly, it is WestSide's intention not to proceed with the WestSide Offer if Shareholders approve the American Energy Transaction.

At the time of the Notice of Meeting and before receipt of the Revised WestSide Offer the Directors considered that the American Energy Transaction provided a superior alternative to the original WestSide Offer of \$0.12 per Armour Share for the reasons set forth in the Notice of Meeting.

The Directors have had to reconsider their previous recommendations in light of the receipt of the Revised WestSide Offer and the terms of the BIA which has been entered into.

If Shareholders approve the American Energy Transaction by approving Resolutions 1, 2 and 3;

- (a) WestSide have stated that it intends to exercise its right to withdraw the Revised WestSide Offer (or to allow it to lapse) for breach of the Conditions; and

# Supplementary Material to Notice of Extraordinary General Meeting

- (b) WestSide will be entitled to terminate the BIA , resulting in the loss to Armour of , amongst other things, the potential funding available to Armour thereunder, including the Bridging Facility .

**Having regard to the foregoing , and notwithstanding the conclusions in the AE Independent Expert's Report, and in the absence of any superior proposal, the Directors recommend that to enable Shareholders to be able to received and accept the Revised WestSide Offer, Shareholders;**

- **not approve the American Energy Transaction; and**
- **vote against approving Resolutions 1, 2 and 3.**

If WestSide does not proceed with its Takeover bid, Shareholders will not have the ability to accept the Revised WestSide Offer. Further, it is possible that the current share price for your Shares on the ASX may drop if the Revised WestSide Offer does not proceed.

You should carefully consider the implications of approving the American Energy Transaction and the resulting ability of WestSide to not proceed with the WestSide Offer – both in terms of the price offered under the WestSide Offer, the value you perceive for your Shares and the market generally for Shares given trading volumes on the ASX.

The Meeting Materials incorporating the amendments detailed above are available on the ASX website as announced on 1 October 2015 and on the Company's website at [www.armourenergy.com.au](http://www.armourenergy.com.au).

Please note that no other changes to the Meeting Materials have been made. If you wish to appoint a proxy please ensure that you utilise the proxy form sent to you with the Meeting Materials dispatched on 1 October 2015.

## 4. Interpretation

---

**AEGP** means AEGP Australia Pty Ltd ACN 605 683 798.

**AE Independent Expert's Report** means the report of BDO on the fairness and reasonableness of the American Energy Transaction attached as Annexure E of the Explanatory Memorandum for the Notice of Meeting.

**AE Options** means the 24,000,000 options to be issued by the Company to AEGP under the terms of the Armour Option Deed annexed as Annexure D of the Explanatory Memorandum for the Notice of Meeting.

**American Energy** means American Energy Partners, LP.

**American Energy Transaction** means the transaction as described in section 2.1 of the Notice of Meeting.

**Associated Entity** has the meaning given to that term in the Corporations Act.

**ASX** means ASX Limited.

**BDO** means BDO Corporate Finance (Qld) Ltd.

**Board** means board of Directors of the Company.

**Business Day** means a day on which all banks are open for business generally in Brisbane.

# Supplementary Material to Notice of Extraordinary General Meeting

**Change in Control** in Armour will occur where a person holds a Relevant Interest in not less than 50.1% of Armour shares (and where the Relevant Interest arises in whole or in part as a result of the Takeover Bid, the Takeover Bid is or is declared unconditional).

**Company** means Armour Energy Limited ACN 141 198 414.

**Completion** means, with respect to completion of the Armour Farm-out Agreement, the date upon which, after satisfaction or waiver of the conditions precedent to the Armour Farm-out Agreement, closing out of the Armour Farm-out Agreement takes place including payment by AEGP to the Company of the initial payment of US\$13m and Armour transfers the 75% working interest and operatorship in the Farm-in Tenements to AEGP.

**Conditions** means the conditions of the WestSide Offer, as are set out in Appendix 2 of the Replacement Bidder's Statement released on 14 September 2015.

**Constitution** means the constitution of the Company from time to time.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**DGR Financing Proposal** means the binding term sheet executed by Armour Energy and DGR Global Limited as announced by Armour Energy to the ASX on 30 September 2015.

**Directors** means the directors of the Company.

**Explanatory Memorandum** means the explanatory statement accompanying the Notice of Meeting.

**Farm-in Tenements** means all of the granted and pending tenements in the Northern Territory owned by the Company as identified in the map contained in the Notice of Meeting.

**Independent Expert** means BDO.

**Listing Rules** means the Listing Rules of the ASX Limited.

**Meeting** means the Extraordinary General Meeting to be held on 30 October 2015 as convened by the Notice of Meeting.

**Notice of Meeting** means the notice of meeting dated 30 September 2015 and dispatched to shareholders on 1 October 2015.

**Offer Period** means the period commencing on 22 September 2015 and ending on 23 October 2015, or such later date to which the Offer has been extended.

**Ordinary Resolution** means a resolution passed by more than 50% of the votes at a general meeting of shareholders.

**Placement Shares** means up to 35,763,095 Shares to be issued by the Company to AEGP under the terms of the Armour Share Subscription Agreement.

**Relevant interest** has the meaning in section 9 of the Corporations Act.

**Resolutions** means the resolutions set out in the Notice of Meeting.

**Roma Shelf Assets** has the meaning ascribed to that term in the Target's Statement.

**Roma Shelf Assets Agreements** has the meaning set forth in the Target's Statement.

**Roma Shelf Assets Financing** means the financing required by Armour Energy to acquire the Roma Shelf Assets, and includes, without limitation, the DGR Financing Proposal.

**Securities** has the meaning in section 92(1) of the Corporations Act.

# Supplementary Material to Notice of Extraordinary General Meeting

**Shareholders** means a holder of ordinary Shares in the Company.

**Shares** means an ordinary fully paid share in the issued capital of the Company.

**Subsidiary** has the meaning in the Corporations Act.

**Takeover bid** has the meaning given to that term in s 9 Corporations Act.

**Target's Statement** means the target's statement lodged with ASIC by Armour Energy on 7 October 2015 in respect of the Takeover Bid in accordance with the Corporations Act, and any supplementary target's statement.

**WestSide** means WestSide Corporation Ltd ACN 117 145 516.

**WestSide Offer** means the offer by WestSide to acquire 100% of the Company's Shares by way of an off-market takeover bid at A\$0.12 cash bid per Share the details of which are set out in the Replacement Bidder's Statement lodged with ASIC, the Company and ASX on 14 September 2015 (replacing the Bidder's Statement lodged with ASIC, the Company and ASX on 31 August 2015), as varied by the Notice of Variation dated 15 October 2015.

# Supplementary Material to Notice of Extraordinary General Meeting

## Proxy Form

### STEP 1: APPOINTMENT OF PROXY

I/we .....

of .....

being Shareholder(s) of Armour Energy Limited (Company) hereby appoint as my proxy for the Extraordinary General Meeting of the Company to be held at 2:00pm (Brisbane time) on 30 October 2015 at the offices of HoggoodGanim Lawyers, Level 7, 1 Eagle Street, Brisbane, Queensland and any postponement or adjournment thereof:

the Chairman of the Meeting **OR**  
(mark with an "X")

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting

If I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default) I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy on Resolutions 1, 2 and 3 (except where I/we have indicated a different voting intention below) even if he/she has an interest in the outcome of the resolution/s and that votes cast by the Chairman of the Meeting for those resolutions other than as proxy holder will be disregarded because of that interest.

**The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business. This statement expresses the Chairman of the Meeting's intention as at the date of issue of the Notice of Meeting and, in exceptional circumstances, the Chairman of the Meeting may change his/her voting intention for any resolution, in which case an ASX announcement will be made.**

If you do not direct your Proxy how to vote, the Proxy may cast your vote as the Proxy thinks fit or may abstain from voting. By signing this appointment you acknowledge that, subject to the *Corporations Act 2001 (Cth)*, the Proxy may cast your vote as the Proxy thinks fit or may abstain from voting. By signing this appointment you acknowledge that, subject to the *Corporations Act 2001 (Cth)*, the Proxy may exercise your proxy even if he/she has an interest in the outcome of the resolution and votes cast by him/her other than as proxy holder will be disregarded because of that interest. If you do **not** want the Proxy to vote in this way, you should direct your vote in accordance with Step 2 below.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is .....%. (An additional proxy form will be supplied by the Company on request). If you wish to appoint the proxy to exercise voting power over only some of your Shares, the number of Shares in respect of which this proxy is to operate is ..... Shares (Note: proxy will be over all Shares if left blank).

### STEP 2: VOTING DIRECTIONS

I/we direct my/our proxy to vote as indicated below:

#### Resolution

1. Approval of agreements with AEGP Australia Pty Ltd
2. Approval of issue of shares to AEGP Australia Pty Ltd
3. Approval of issue of options to AEGP Australia Pty Ltd

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Sole Director and Secretary  
(if appointed)

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date