



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

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".

Mr Karl Schlobohm
Company Secretary
28 October 2015

Further Supplementary Material for 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 the AEP Options to AEGP Australia Pty Ltd

Full details of these agreements and the three (3) Resolutions are set out in the Notice of Meeting.

2. AEGP Offer

Armour and WestSide entered into a Bid Implementation Agreement (**BIA**) dated 15 October 2015 and WestSide increased its cash offer price to \$0.20 per share (and associated pro rata dividend in specie of Armour's shares in Lakes Oil NL to Armour shareholders should the Offer become unconditional) (**Revised WestSide Offer**).

On 27 October 2015, Armour entered into a bid implementation agreement with American Energy (**AEP BIA**) whereby American Energy has agreed, subject to the AEP Northern Territory Farm-Out being approved at the EGM, to make a proportional takeover bid for 13.62% of each Armour Energy Shareholders' Shares at A\$0.25 per Share (**Proportional Bid**).

Armour (having taken advice from its advisers) considers the Proportional Bid and the AEP Northern Territory Farm-Out (**Combined Proposal**), when taken together to constitute a superior proposal to the Revised WestSide Offer for the following reasons:

- (a) Shareholders will be able to, should they choose, dispose of 13.62% of their Shareholding in Armour for A\$0.25 per Share. DGR Global Limited, Armour's largest Shareholder, has advised that it will not accept the Proportional Bid given its confidence in the long term value opportunities in Armour Energy;
- (b) under the AEP Northern Territory Farm-Out, Armour Shareholders will retain their ownership of Armour (although with a reduced, but free carried, interest in the Farm-in Tenements), whereas under the Revised WestSide Offer, Shareholders will lose the potential to benefit from any upside in Armour. 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; and
- (c) in addition to the Proportional Bid, Armour will obtain the benefits previously outlined in Armour's Target's Statement, including but not limited to:
 - (1) being well funded with a maximum of A\$39.5 million in cash;¹ and
 - (2) the potential implied value of A\$61.42 million of Armour's 25% interest in the Farm-in Tenements.²

¹ Please see footnote 6 of the Target's Statement.

² Please see footnote 8 of the Target's Statement.

Further Supplementary Material for Extraordinary General Meeting

2.1 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 the AEGP Offer

The Directors recommend Shareholders read this Further Supplementary Notice, the Supplementary Notice dated 15 October 2015, 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 Directors have again had to reconsider their previous recommendations in light of the terms of the AEP BIA which has been entered into and the Combined Proposal.

The Board of Armour unanimously recommends that shareholders **VOTE IN FAVOUR** of the resolutions at the Meeting in the absence of a superior proposal.

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.

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. If you require a new proxy form this can be obtained from the Company Secretary.

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.

AEP Northern Territory Farm-Out means the farm-out of Armour's McArthur Basin oil and gas tenements in the Northern Territory and the issue of the Placement Shares and the AE Options to American Energy.

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.

Further Supplementary Material for Extraordinary General Meeting

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.

Company means Armour Energy Limited ACN 141 198 414.

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

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

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.

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

Placement Shares means in aggregate 33,810,813 Shares to be issued by the Company to AEGP .

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

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

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.