



SECOND SUPPLEMENTARY TARGET'S STATEMENT OF ARMOUR ENERGY LIMITED

ABN 60 141 198 414

REJECT THE REVISED CASH OFFER

by WestSide Corporation Limited ABN 74 117 145 516, a
Subsidiary of Landbridge Group Co., Ltd to purchase all of
your Shares in Armour Energy Limited

The Directors of Armour Energy Limited unanimously
recommend that you REJECT the revised cash Offer

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.
It should be read in its entirety

If you are in any doubt about how to deal with this document, you should contact
your legal, financial or other professional advisor immediately



**SECOND SUPPLEMENTARY TARGET'S STATEMENT BY
ARMOUR ENERGY LIMITED ACN 141 198 414
IN RELATION TO WESTSIDES OFF-MARKET TAKEOVER OFFER FOR
ARMOUR ENERGY**

1. Introduction

This document is the second Supplementary Target's Statement under section 644 of the *Corporations Act 2001* (Cth) (**Corporations Act**) dated 29 October 2015 (**Second Supplementary Target's Statement**). It is the Second Supplementary Target's Statement issued by Armour Energy Limited ACN 141 198 414 (**Armour Energy**), in relation to the off-market takeover offer for all of the fully paid ordinary shares in Armour Energy (**Offer**) by WestSide Corporation Limited (**WestSide**).

This document supplements, and should be read together with, both the Target's Statement lodged with the Australian Securities and Investments Commission (**ASIC**) on 7 October 2015 (**Target's Statement**) and the First Supplementary Target's Statement lodged with ASIC on 26 October 2015 (**First Supplementary Target's Statement**).

This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with this document you should consult your financial or legal adviser as soon as possible.

2. Combined Proposal from American Energy

On 27 October 2015, Armour Energy entered into a bid implementation agreement (**AEP BIA**) with AEGP Australia Pty Ltd, an affiliate of American of American Energy Partners, LP (together **American Energy**), 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 Energy considers the Proportional Bid and the AEP Northern Territory Farm-Out (**Combined Proposal**), when taken together, to constitute a superior proposal to the Revised Offer from WestSide announced 15 October 2015, for the following reasons:

- (a) Shareholders will be able to, should they chose, dispose of 13.62% of their Shareholding in Armour Energy for A\$0.25 per Share. DGR Global Limited (**DGR**), Armour Energy'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 Energy Shareholders will retain their ownership of Armour Energy (although with a reduced, but free carried, interest in Armour Energy's Northern Territory Tenements), whereas under the Revised Offer from WestSide, Shareholders will lose the potential to benefit from any upside in Armour Energy. The Board believes that Shareholders are entitled to benefit from the value to be extracted from Armour Energy's assets through receiving a fair price for their Shares; and
- (c) in addition to the Proportional Bid, Armour Energy will obtain the benefits previously outlined in Armour Energy's Target's Statement of, 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 Energy's 25% interest in the Northern Territory Tenements.²

Armour Energy Shareholders should refer to the information in the Target's Statement for further details as to the AEP Northern Territory Farm-Out.

3. Recommendation and Intention of Armour Energy Directors

The Directors of Armour Energy unanimously recommend that Armour Energy Shareholders:

- **VOTE IN FAVOUR** of the AEP Northern Territory Farm-Out at the EGM on 30 October 2015;
- **ACCEPT** American Energy's Proportional Bid;³ and
- **REJECT** WestSide's Revised Offer,

in the absence of a Superior Proposal.

In forming their unanimous recommendation, the Armour Energy Board has considered a wide range of factors including:

- (a) the Revised Offer from WestSide of A\$0.20 per Armour Energy Share, while within the Independent Expert's Market Based Valuation range of \$0.16 to \$0.26 per Armour Energy Share (on a controlling interest basis),⁴ is still (even with the Lakes Dividend⁵) below the Independent Expert's preferred valuation range of \$0.22 to \$0.37 per Armour Energy Share;⁶
- (b) while the Revised Offer from WestSide may provide Shareholders with certainty of cash for all of their Armour Energy Shares, the Combined Proposal relevantly:
 - (1) by way of the Proportional Bid, allows Shareholders to dispose of 13.62% of their Shareholding in Armour Energy for A\$0.25 per Share; and
 - (2) under the AEP Northern Territory Farm-Out, to retain their ownership of Armour Energy (although with a reduced, but free carried, interest in Armour Energy's Northern Territory Tenements) whereas under the Revised Offer from WestSide, Shareholders will lose the potential to benefit from any upside in Armour Energy;

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

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

³ Currently, American Energy has only stated an intention to make the Proportional Bid. However, American Energy is required at law to make the Proportional Bid if the AEP Northern Territory Farm-Out is approved by Shareholders at the EGM. There are exceptional circumstances where American Energy would not be required to proceed with its Proportional Bid, including without limitation, where it has become impossible to satisfy a condition, a court order is made prohibiting the bid or a rival bid proceeds on significantly better terms.

⁴ Source: Armour Energy's Target's Statement page 129 – Table 6.6 Value per Armour Energy Ordinary Share on a Controlling Interest Basis.

⁵ Armour Energy Shareholders should note that the Independent Expert estimated the value of the Lakes Shares as an asset of Armour Energy and the value attributed to the Lakes Shares was based on recent trading prices of Lakes Shares. The ability of Armour Energy Shareholders to realise value for their Lakes Shares will depend upon a number of factors including without limitation, sufficient liquidity being available in the Lakes Shares. Given the large number of Lakes Shares which will be distributed as part of the Lakes Dividend, Armour Energy Shareholders may have difficulty realising value for their Lakes Shares and/or it may take them some time to do so. In determining the value attributable to the Lakes Shares, Shareholders should also factor in the costs (such as brokerage) involved in disposing of their Lakes Shares.

⁶ Source: Armour Energy's Target's Statement page 96.

- (c) the Proportional Bid price of A\$0.25 per Share exceeds WestSide's Revised Offer Price of A\$0.20 per Share and the potential Lakes Dividend price of 1.4 cents per Share.⁷ Armour Energy Shareholders should however note that WestSide's Revised Offer is for 100% of Armour Energy, whereas the Proportional Bid is only for 13.62% of each Armour Energy Shareholders' Shares;⁸
- (d) with the Combined Proposal having now emerged, the Revised Offer from WestSide is not the only offer that is available to Armour Energy Shareholders; and
- (e) while WestSide declared their Revised Offer to be best and final, as the Combined Proposal has now emerged, WestSide is free to increase their Revised Offer Price should they chose to.⁹

The Armour Energy Board's unanimous recommendation to:

- **VOTE IN FAVOUR** of the AEP Northern Territory Farm-Out at the EGM on 30 October 2015;
- **ACCEPT** American Energy's Proportional Bid;¹⁰ and
- **REJECT** WestSide's Revised Offer,

in the absence of a Superior Proposal, has been made following a careful consideration of all currently available options to maximise value for Armour Energy Shareholders.

Following the emergence of the Combined Proposal, the Directors of Armour Energy have withdrawn their Director Acceptances from the Institutional Acceptance Facility established by WestSide.

The Directors of Armour Energy, to the extent that they are able to, currently intend to exercise voting rights in respect of all Armour Energy Shares that they, or their associates, own, control or otherwise have a Relevant Interest in, in favour of the AEP Northern Territory Farm-Out at the EGM, in the absence of a Superior Proposal.

⁷ Please see footnote 5 of this Second Supplementary Target's Statement.

⁸ As a result of this, it is not possible to accurately compare the two offer prices given their differing nature. Instead, this comparison should be used by Shareholders as a useful but not infallible value proposition.

⁹ WestSide may chose to make some other form of proposal to increase the consideration offered (other than an increase of cash consideration), however unless the increase of consideration is in accordance with section 650B of the Corporations Act, ASIC consent will be required.

¹⁰ Please see footnote 3 of this Second Supplementary Target's Statement.

4. Armour Energy's EGM

4.1 Recommendation

The Directors of Armour Energy unanimously recommend that Armour Energy Shareholders vote **IN FAVOUR OF** the AEP Northern Territory Farm-Out at the upcoming EGM on 30 October 2015, by voting **FOR** all resolutions the subject of the EGM.

4.2 Intentions of WestSide should Shareholders approve the AEP Northern Territory Farm-Out

Please see WestSide's Second Supplementary Bidder's Statement dated 19 October 2015 for further information as to WestSide's intentions in a number of circumstances related to the EGM.

Should Armour Energy Shareholders approve the AEP Northern Territory Farm-Out, and the Revised Offer is conditional at the time of the EGM, WestSide intends to withdraw the Revised Offer or allow it to lapse for Armour Energy's prior breaches of the Conditions set out in Appendix 2 of the Replacement Bidder's Statement dated 14 September 2015.

5. Variation to DGR Facility

On 27 October 2015, DGR agreed to increase the limit of the Facility from A\$15,000,000 to \$19,000,000 to finance the Roma Shelf Assets Acquisition (**Revised Facility**). Please see Armour Energy's Target's Statement of 7 October 2015 for further details in relation to the Facility. Other than the increased facility limit, the only other change to the Facility is the addition of another condition precedent (being Armour Energy entering into the AEP BIA, which was satisfied on 27 October 2015).

6. How to Reject the Revised Offer

To reject the Revised Offer from WestSide, simply do nothing.

If you are in any doubt as to the action which you should take in relation to the Revised Offer from WestSide, you should consult your legal, taxation or financial adviser.

7. Implications for Shareholders who have accepted the Revised Offer from WestSide

As set out in the Target's Statement, if you have accepted the Revised Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.¹¹

However, Armour Energy Shareholders should also note that WestSide have publicly stated in their Second Supplementary Bidder's Statement that:

- (a) if at the time of the EGM, the Revised Offer remains conditional on either or both of the Northern Territory Farm-Out Condition or the Prescribed Occurrences Condition (both of these conditions have been previously breached by Armour Energy as a result of the entry into the Definitive Agreements with American Energy and the agreement to issue securities pursuant to those agreements); and
- (b) if Armour Energy Shareholders vote in favour of the AEP Northern Territory Farm-Out at the EGM,

¹¹ Such a withdrawal right will arise if, after you have accepted the Revised Offer, WestSide varies the Revised Offer in a way that postpones, for more than one month, the time when WestSide has to meet its obligations under the Revised Offer, and at that time, the Revised Offer is conditional.

WestSide intends to exercise its right to withdraw the Offer (or allow it to lapse) for Armour Energy's breach of those conditions.

Should this occur, you will continue to hold your Armour Energy Shares and be free to deal with them as if the Revised Offer had not been made (if you have previously accepted the Revised Offer, your Armour Energy Shares will be returned to you in this instance).

8. Bid Agreement

As noted above, Armour Energy and American Energy have entered into a takeover bid implementation agreement (**AEP BIA**). The AEP BIA sets out the terms of the Proportional Bid and a number of other customary requirements for a document of this nature (including customary exclusivity provisions such as "no talk", "no shop", "no due diligence" and a notification of approaches provision).

A copy of the AEP BIA is attached to the announcement of Armour Energy released on ASX on 27 October 2015.

9. Proportional Bid Terms

Should Shareholders approve the AEP Northern Territory Farm-Out at the EGM, American Energy agrees to make the Proportional Bid and will dispatch the offers to Armour Energy Shareholders no later than 42 days after such Shareholder approval.

Shareholders should note that they are not entitled to accept the Proportional Bid for any of the Shares in their Shareholding in excess of 13.62%.

As set out in the AEP BIA:

- (a) the consideration offered under the Proportional Bid will be A\$0.25 for each Armour Energy Share acquired, subject to any improvement permitted by the Corporations Act;
- (b) the AEP Offer Period will remain open for one month from the date of the Proportional Bid, subject to American Energy's right to extend the period under the Corporations Act;
- (c) the Proportional Bid is conditional upon:
 - (1) No regulatory action
 - During the AEP Offer Period:
 - (A) there is not in effect any preliminary or final decision, order or decree issued by a Governmental Agency;
 - (B) no action or investigation is announced, commenced or threatened by any Governmental Agency; and
 - (C) no application is made to any Governmental Agency (other than by a member of the AEP Bidder Group),

in consequence of, or in connection with, the AEP Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in the exercise of powers and discretions referred by the Corporations Act or the applications to ASX contemplated by the AEP BIA), which:

- (D) restrains, prohibits or impedes (or if granted or made could restrain, prohibit or impede), or otherwise materially adversely impacts upon:
 - (i) the making of the AEP Offers or the completion of any transaction contemplated by the AEP Offer; or
 - (ii) the rights of American Energy in respect of Armour Energy or the Armour Energy Shares; or
 - (E) requires the divestiture by American Energy of any Armour Energy Shares or the divestiture of any assets of the Armour Energy Group.
- (2) No AEP Prescribed Occurrences

No AEP Prescribed Occurrence happens in the period between the date of the AEP BIA and the End Date (both inclusive).

10. DGR Intentions

On 27 October 2015, DGR (the largest Shareholder in Armour Energy), announced that it would irrevocably vote 60,927,153 of its Armour Energy Shares (amounting to 19.99% of Armour Energy's issued Shares) in favour of the resolutions to approve the AEP Northern Territory Farm-Out at the EGM on 30 October 2015 (subject to no regulatory action to the contrary).

DGR has publicly stated that while it supports American Energy's Proportional Bid, it will not accept the Proportional Bid in respect of any of its Armour Energy Shares given its confidence in the long term value opportunities in Armour Energy.

11. Shareholding of American Energy following AEP Northern Territory Farm-Out and Proportional Bid

Should Shareholders approve the AEP Northern Territory Farm-Out, Armour Energy will issue American Energy 16,922,311 Shares (**Tranche 1 Shares**) at 20 cents per Share as soon as practicable after the EGM.

American Energy is then required to make the Proportional Bid within 42 days after Shareholder approval. The maximum number of Shares that American Energy can acquire under the Proportional Bid is 31,279,244 (taking into account DGR's stated intention not to accept the Proportional Bid in respect of its entitlement).¹² Following the close of the Proportional Bid, American Energy will hold a maximum of 14.99% of Armour Energy's Share capital.¹³

On closing of the FOA, Armour Energy will issue a further 16,888,502 Shares to American Energy at 20 cents per Share (**Tranche 2 Shares**) (in addition to 24,000,000 Armour Energy Options).

Following the issue of the Tranche 1 Shares, the Tranche 2 Shares and the Shares acquired pursuant to the Proportional Bid, American Energy will have a total maximum shareholding in Armour of 65,090,057 Shares,¹⁴ or 19.23% of an enlarged share capital of 338,446,579.

¹² Subject to section 618(2) of the Corporations Act.

¹³ A maximum of 48,201,555 Shares of an enlarged Share capital of 321,558,077.

¹⁴ Calculated based on the number of Shares issued pursuant to Tranche 1 of 16,922,311 Shares, the maximum potential acceptance of the Proportional Bid of 31,279,244 and the number of Shares issued pursuant to Tranche 2 of 16,888,502 Shares. This number assumes no further Shares are issued or any existing options exercised.

12. Consents

12.1 Directors

The Directors have given and have not, before the lodgement of this Second Supplementary Target's Statement with ASIC, withdrawn their consent to be named in this Second Supplementary Target's Statement in the form and context in which they are named.

12.2 Third parties

HopgoodGanim Lawyers has given, and has not, before the date of this Second Supplementary Target's Statement, withdrawn its written consent to be named in this Second Supplementary Target's Statement as legal advisor to Armour Energy in respect of the Revised Offer in the form and context in which it is named. HopgoodGanim Lawyers does not make, or purport to make, any statement in this Second Supplementary Target's Statement or any statement on which a statement in this Second Supplementary Target's Statement is based. To the maximum extent permitted by law, HopgoodGanim Lawyers expressly disclaims and takes no responsibility for any part of this Second Supplementary Target's Statement, other than a reference to its name.

Morgans Corporate Limited has given, and has not, before the date of this Second Supplementary Target's Statement, withdrawn its written consent to be named in this Second Supplementary Target's Statement as financial advisor to Armour Energy in respect of the Revised Offer in the form and context in which it is named. Morgans Corporate Limited does not make, or purport to make, any statement in this Second Supplementary Target's Statement or any statement on which a statement in this Second Supplementary Target's Statement is based. To the maximum extent permitted by law, Morgans Corporate Limited expressly disclaims and takes no responsibility for any part of this Second Supplementary Target's Statement, other than a reference to its name.

BDO Corporate Finance (QLD) Ltd ACN 010 185 725 has given and has not, before the lodgement of this Second Supplementary Target's Statement with ASIC, withdrawn its written consent to be named in this Second Supplementary Target's Statement as Independent Expert in respect of the Offer in the form and context in which it is named.

DGR Global Limited ACN 052 354 837 has given and has not, before the lodgement of this Second Supplementary Target's Statement with ASIC, withdrawn its written consent to be named in this Second Supplementary Target's Statement as Armour Energy's largest Shareholder in the form and context in which it is named.

13. Lodgement with ASIC

A copy of this document was lodged with ASIC on 29 October 2015. This document will prevail to the extent of any inconsistency with the Target's Statement and the First Supplementary Target's Statement.

Neither ASIC nor any of its officers takes any responsibility for the contents of this document.

14. Additional Information

As permitted by ASIC Class Order 07/429, this Second Supplementary Target's Statement contains security price trading data sourced from Iress Market Data without its consent.

Armour Energy Shareholders who have any questions in relation to the Revised Offer should call Armour Energy's information line on 1300 794 935 (callers in Australia) or +61 1300 794 935 (callers outside Australia).

This Second Supplementary Target's Statement contains statements which are made in, or based upon, statements contained in the Second Supplementary Bidder's Statement lodged with ASIC. As permitted by ASIC Class Order 13/521, the consent of WestSide is not required for the inclusion of these statements in the Second Supplementary Target's Statement.

15. Interpretation

Words defined in the Target's Statement and First Supplementary Target's Statement (as the case may be) have the same meaning in this Second Supplementary Target's Statement, unless the context requires otherwise. The definitions and interpretation set out in Section 19 of the Target's Statement also apply to this document, unless the context requires otherwise.

In this Second Supplementary Target's Statement unless the contrary intention appears, the following words have the following meanings:

AEP BIA means the bid implementation agreement entered into between Armour Energy and American Energy on 27 October 2015;

AEP Bidder Group has the meaning ascribed to the term "Bidder Group" in the AEP BIA;

AEP Offer has the meaning ascribed to the term "Offer" in the AEP BIA;

AEP Offer Period has the meaning ascribed to the term "Offer Period" in the AEP BIA;

AEP Prescribed Occurrences has the meaning ascribed to the term "Prescribed Occurrences" in the AEP BIA;

Director Acceptances has the meaning given to that term in the First Supplementary Target's Statement;

End Date has the meaning ascribed to the term "End Date" in the AEP BIA;

First Supplementary Target's Statement means Armour Energy's First Supplementary Target's Statement dated 26 October 2015;

Governmental Agency has the meaning ascribed to the term "Governmental Agency" in the AEP BIA;

Institutional Acceptance Facility has the meaning given to that term in Section 10.1 of the First Supplementary Target's Statement;

Lakes Dividend has the meaning given to that term in Section 4.1 of the First Supplementary Target's Statement;

Lakes Shares has the meaning given to that term in Section 4.1 of the First Supplementary Target's Statement;

Prescribed Occurrences Condition has the meaning given to that term in the Second Supplementary Bidder's Statement;

Revised Offer has the meaning given to that term in Section 2 of the First Supplementary Target's Statement;

Revised Offer Price has the meaning given to that term in Section 2 of the First Supplementary Target's Statement;

Superior Proposal has the meaning given to that term in the AEP BIA.

16. Authorisation

This document has been approved by a resolution passed by the directors of Armour Energy.

Dated 29 October 2015

Signed for and on behalf of
Armour Energy Limited



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Nicholas Mather
Executive Chairman