

Target's Statement

of Armour Energy Limited ACN 141 198 414 in response to the Offer by AEGP Australia Pty Ltd ACN 605 683 798, an affiliate of American Energy Partners, LP, to acquire 13.62% of your Shares in Armour Energy Limited

ACCEPT

AEGP AUSTRALIA'S

OFFER

(IN THE ABSENCE OF A SUPERIOR PROPOSAL)
TO ACQUIRE 13.62%
OF YOUR ARMOUR ENERGY SHARES
AT \$0.25 PER SHARE

Your Armour Energy Directors unanimously recommend that you **ACCEPT THE OFFER** (in the absence of a Superior Proposal)

Morgans IN ALLIANCE WITH


Financial Adviser


HopgoodGanim
LAWYERS

Legal Adviser

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

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

IMPORTANT NOTICES

Nature of this document

This Target's Statement is dated 24 December 2015 and is given under Part 6.5 Division 3 of the Corporations Act by Armour Energy Limited ACN 141 198 414 (**Armour Energy**) in response to the Bidder's Statement dated 1 December 2015 and Offer dated 11 December 2015 by AEGP Australia Pty Ltd ACN 605 683 798 (**AEGP Australia**) to acquire 13.62% of your Shares in Armour Energy.

A copy of this Target's Statement was lodged with ASIC and sent to ASX on 24 December 2015. Neither ASIC, ASX nor any of their officers take any responsibility for the content of this Target's Statement.

This Target's Statement and the Bidder's Statement contain important information. You should read both documents carefully and in their entirety.

Investment Decision

This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each Armour Energy Shareholder. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Armour Energy Shares.

Shareholder Information

If you have any questions in relation to the Offer, please call Armour Energy's information line on 1300 794 935 for callers within Australia or on +61 1300 794 935 for callers outside Australia. The information line will be open from Monday to Friday between 8.30am to 5.30pm (Sydney time).

Announcements relating to the Offer can be obtained from Armour Energy's website www.armourenergy.com.au.

Interpretation

Terms used in this Target's Statement are defined in Section 14 of this document.

Forward Looking Statements

This Target's Statement contains certain forward looking statements and statements of current intention. Such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Armour Energy is involved as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of Armour Energy, any of its officers, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood in any forward looking statement, and you should not place undue reliance on these statements.

Forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Foreign Jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Maps and Diagrams

Any maps, diagrams, charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the date of this Target's Statement.

Information about AEGP Australia in this Target's Statement

Except where disclosed in this Target's Statement, the information about AEGP Australia contained in this Target's Statement has been prepared by Armour Energy using publicly available information including the Bidder's Statement, which has not been independently verified. Accordingly, except to the extent required by law, Armour Energy does not assume responsibility for the accuracy or completeness of such information.

Privacy

Armour Energy has collected your information from the register of Armour Energy Shareholders for the purpose of providing you with this Target's Statement. The type of information Armour Energy has about you includes your name, contact details and information on your shareholding (as applicable) in Armour Energy. Without this information, Armour Energy would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the Armour Energy Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Armour Energy, please contact the Armour Energy Share Registry on 1300 554 474 (within Australia), or +61 1300 554 474 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

Competent Persons Statement

Unless stated otherwise, any statements in this Target's Statement regarding reserves and resources are based on information and supporting documents compiled by Mr. Luke Titus, Chief Geologist, Armour Energy Limited. Mr. Titus' qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. He has over 17 years of relevant experience in both conventional and unconventional oil and gas exploration in various international hydrocarbon basins.

Mr. Titus has sufficient experience that is relevant to Armour Energy's reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr Titus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr Titus:

- (a) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to his name.

Mr Titus confirms that he is not aware of any new information or data that materially affects the information included in this Target's Statement and that all material assumptions and technical parameters underpinning the estimates in the Target's Statement continue to apply and have not materially changed.

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KEY REASONS TO ACCEPT THE OFFER

REASON 1 THE OFFER ALLOWS YOU TO RECEIVE CERTAIN CASH FOR 13.62% OF YOUR SHAREHOLDING

- The Offer allows you to receive \$0.25 per Armour Energy Share in cash for 13.62% of your shareholding. This delivers you certainty and immediate value for 13.62% of your Armour Energy Shares at a premium to recent trading levels.¹

REASON 2 THE OFFER PROVIDES YOU WITH CONTINUED PARTICIPATION IN ARMOUR ENERGY'S PERFORMANCE

- AEGP Australia has structured the Offer as a partial takeover bid (as opposed to a placement or a similar dilutive event) so that all Shareholders may, if they choose, participate equally.
- Accordingly, in addition to realising a substantial premium for 13.62% of your shareholding, the Offer enables you to maintain an interest in Armour Energy's business alongside AEGP Australia through the remainder of your shareholding (albeit with a reduced, but free carried, interest in the Northern Territory Tenements).

REASON 3 THE AEP NORTHERN TERRITORY FARM-OUT PROVIDES ARMOUR ENERGY WITH MAXIMUM CASH PROCEEDS OF A\$39.5 MILLION

- The AEP Northern Territory Farm-Out provides Armour Energy with maximum cash proceeds of \$A39.5 million.²
- The Offer by AEGP Australia in respect of Armour Energy, demonstrates AEGP Australia's confidence in the farm out and its long term value for Armour Energy Shareholders.³

The Armour Energy board unanimously recommends that you **ACCEPT** the Offer by AEGP Australia (in the absence of a Superior Proposal).

¹ On 26 October 2015, being the Business Day immediately prior to the announcement of the Offer, Armour Energy Shares traded at \$0.185 per Share (Source: Iress market data as at Monday 26 October 2015 in compliance with ASIC Class Order [CO 07/429]), or a 26% discount to the Offer Price. On 15 December 2015, Armour Energy Shares traded at \$0.135 per Share (Source: Iress market data as at Tuesday 15 December 2015 in compliance with ASIC Class Order [CO 07/429]), or a 46% discount to the Offer Price.

² This cash position comprises proceeds of A\$6.7 million from the placement of Shares to AEGP (on the assumption that no additional Shares are issued and no Options are exercised prior to this placement) of which -A\$3.4 million was received on 4 November 2015, US\$13 million from AEGP upon closing of the FOA, US\$3 million upon the grant, transfer and registration in the name of AEGP of a 75% interest in EPA 177 and EPA 178 (if such EPs are granted and transferred), and the bonus payment of US\$7 million upon the earlier of either the grant of one million acres of production licences in respect of EP171, EP176 and EP191 or the date on which EPA 172, EPA 173, EPA 179, EPA 193, EPA 195 and EPA 196 have been granted and a 75% interest has been transferred to AEGP and registered (this is a milestone based payment, which may or may not eventuate). This cash position assumes an AUD:USD conversion rate of 0.70. The FOA and AEP Northern Territory Farm-Out are still conditional on a number of matters. See Section 8 of this Target Statement for further information.

³ Source: American Energy ASX Announcement "Proportional takeover offer by AEP at \$0.25 per share" released on ASX on 27 October 2015 in compliance with ASIC Class Order [CO 13/521].

CHAIRMAN'S LETTER



Nicholas Mather
Executive Chairman

Dear fellow Armour Energy Shareholder

ACCEPT AEGP AUSTRALIA'S TAKEOVER OFFER (in the absence of a Superior Proposal)

I am writing to you in response to the proportional takeover Offer announced by AEGP Australia Pty Ltd (AEGP Australia or Bidder) to acquire 13.62% of your Shares in Armour Energy.

This Target's Statement sets out your Directors' response to the Offer and contains their recommendation, reasons for that recommendation, and other important information you should consider when deciding whether to accept or reject the Offer.

As a Shareholder you own part of a growing oil and gas company with a focus on the exploration of the McArthur, Isa Super, 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. Upon the completion of the Roma Shelf Assets Acquisition from Origin Energy Limited Armour Energy also hopes to achieve near term production of gas and associated petroleum liquids.

Your Board has carefully considered the Offer of \$0.25 per Share for 13.62% of each Armour Energy Shareholder's Shares and unanimously recommends that you ACCEPT THE OFFER (in the absence of a Superior Proposal).

The Directors believe that you should ACCEPT the Offer (in the absence of a Superior Proposal) because;

1. the Offer allows you to receive certain cash of \$0.25 per Share for 13.62% of your shareholding;
2. the Offer provides you with continued participation in Armour Energy's performance; and
3. the AEP Northern Territory Farm-Out provides Armour Energy with maximum cash proceeds of A\$39.5 million.⁴

Your Board recommends that you read this Target's Statement in its entirety and consider the Offer, having regard to your own personal risk profile, investment strategy and tax circumstances. To **ACCEPT** the Offer you should follow the instructions set out in Section 8.4 in the Bidder's Statement.

If you are in doubt as to whether to accept or reject the Offer, you should seek your own independent professional advice.

On behalf of all Directors of Armour Energy, I thank you for your continued support.

Yours faithfully

Nicholas Mather
Executive Chairman

⁴ Refer to footnote 2. The FOA and AEP Northern Territory Farm-Out are still conditional on a number of matters. See Section 8 of this Target Statement for further information.

YOUR DIRECTORS' RECOMMENDATION

After taking account of each of the matters described in this document, in particular the reasons to **ACCEPT** the Offer set out in the section entitled "KEY REASONS TO ACCEPT THE OFFER", each of your Directors recommends that you **ACCEPT AEGP Australia's Offer**, in the absence of a Superior Proposal.

HOW TO ACCEPT AEGP AUSTRALIA'S OFFER

To **ACCEPT** AEGP Australia's Offer, carefully follow the instructions set out in Section 8.4 of the Bidder's Statement.

You should read this Target's Statement in full before making any decision, including the detailed reasons why your Directors recommend to **ACCEPT** AEGP Australia's Offer (in the absence of a Superior Proposal).

If you have any questions in relation to the Offer, please call Armour Energy's information line on 1300 794 935 for callers within Australia or on +61 1300 794 935 for callers outside Australia. The information line will be open from Monday to Friday between 8.30am to 5.30pm (Sydney time).

1. FREQUENTLY ASKED QUESTIONS ABOUT THE OFFER

For the purposes of enabling you to understand some of the complex issues which arise during the process of a proportional takeover bid, we have provided this question and answer guide. This section is not intended to address all issues that may be relevant to you. This section should be read together with the rest of this Target's Statement.

Question	Answer	Further Information
1.1 What is this Target's Statement	This Target's Statement has been prepared by Armour Energy and provides Armour Energy's response to AEGP Australia's Offer, including the recommendation of your Directors.	
1.2 Who is the Bidder?	<p>AEGP Australia Pty Ltd ACN 605 683 798, an Australian proprietary company and an affiliate of AEP.</p> <p>AEP is an oil and natural gas operating and asset management company located in Oklahoma City, Oklahoma, U.S.A. AEP seeks to deliver best-in-class financial and operating results to investors and partners through industry-leading capabilities in developing and managing oil and natural gas assets in premier onshore U.S. and international oil and natural gas fields. Founded in April 2013 by Aubrey McClendon, AEP has grown to 450 employees and has raised over US\$14 billion in equity and debt across seven independently financed oil and gas businesses.</p>	Section 4
1.3 What is the Offer?	<p>AEGP Australia is offering to acquire 13.62% of your Armour Energy Shares for \$0.25 per Share. If you accept the Offer, you will</p> <ol style="list-style-type: none">receive \$0.25 cash for each Armour Energy Share making up 13.62% of your Armour Energy Shareholding (rounded down to the nearest whole number of Shares); andretain 86.38% of your Armour Energy Shares. <p>You may only accept the Offer for 13.62% of the Armour Energy Shares held by you and not a greater or less proportion, unless by accepting the Offer, the 86.38% of your Armour Energy Shares that you retain has a market value of less than \$500 based on the price of Armour Energy Shares on the day that your acceptance is received (or the most recent trading day before, if your acceptance is not received on a trading day), in which case the Offer will extend to 100% of your Armour Energy Shares (Non-Marketable Parcel Extension).⁵ In this case, Armour Energy Shareholders may elect to accept the Offer for</p>	Sections 3 and 7

⁵ Refer to the modification to section 618(2) of the Corporations Act made by ASIC under ASIC Class Order [CO 13/521]. Refer to Section 7 of this Target's Statement and Section 8.1 of the Bidder's Statement for further details and qualifications in relation to this.

Question	Answer	Further Information
	<p>either 13.62% or 100% of their Armour Energy Shares.</p> <p>The Non-Marketable Parcel Extension will not apply to a parcel of Armour Energy Shares, whether held beneficially or otherwise, that has come into existence, or increased in size because of a transaction entered into (including the creation of one or more trusts), at any time after 10:00am on the Announcement Date. Subject to the provisions of a notice complying with the requirements in Section 8.6(b) of the Bidder’s Statement, this also applies in relation to persons who hold Armour Energy Shares as nominee or trustee for others (see Section 8.6(b) of the Bidder’s Statement for further details).</p>	
<p>1.4 What is a “proportional takeover bid”</p>	<p>A proportional takeover bid (such as the Offer) is a takeover bid for a specified proportion of the securities in a class of securities (as opposed to a full takeover bid for all of the securities in a class of securities). Under the Corporations Act, the specified proportion must be the same for all holders of securities in that class. The specified proportion for the Offer is 13.62% of the Armour Energy Shares held by you.</p>	
<p>1.5 What are the Conditions of the Offer?</p>	<p>The Offer is subject to Conditions, which are set out in detail in Section 3.4 of this Target’s Statement and more specifically Section 8.8 of the Bidder’s Statement.</p> <p>In summary, the Conditions are:</p> <ul style="list-style-type: none"> i. no regulatory action which would prohibit the Offer from proceeding; and ii. no Prescribed Occurrences. 	<p>Section 3.4</p>
<p>1.6 Is there a minimum acceptance condition?</p>	<p>No. The Offer is not subject to a minimum acceptance condition.</p>	
<p>1.7 What are my alternatives?</p>	<p>As an Armour Energy Shareholder, you have the following choices:</p> <ul style="list-style-type: none"> i. ACCEPT the Offer (as recommended by the Directors in the absence of a Superior Proposal) for 13.62% of your Armour Energy Shares (rounded down to the nearest whole number of Shares) and retain 86.38% of your Armour Energy Shares; ii. ACCEPT the Offer for 13.62% of your Armour Energy Shares (rounded down to the nearest whole number of Shares) and sell the other 86.38% of your Armour Energy Shares on the ASX at the prevailing market price - any purchaser of such Shares will not be able to accept the Offer in respect of those Shares and settlement of the on-market trade will be deferred until after the end of the Offer Period; iii. reject the Offer by doing nothing; or 	<p>Section 5</p>

Question	Answer	Further Information
	<p>iv. sell your Armour Energy Shares on the ASX at the prevailing market price (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance), in which case the purchaser of those Shares may accept the Offer in respect of 13.62% of the Shares that they purchase and settlement will occur on the normal T+3 settlement basis.</p> <p>When deciding what to do, you should carefully consider the Directors' recommendation and other important considerations in this Target's Statement.</p>	
<p>1.8 What do the Directors recommend?</p>	<p>Your Directors unanimously recommend that you ACCEPT THE OFFER (in the absence of a Superior Proposal). The reasons for this recommendation are set out in this Target's Statement.</p> <p>If there is a change in this recommendation or any other material developments in relation to the Offer, Armour Energy will lodge a supplementary target's statement.</p>	<p>Section 2</p>
<p>1.9 What are the intentions of major Shareholders?</p>	<p>DGR Global Limited, Armour Energy's largest Shareholder, holding approximately 23.34% of all Armour Energy Shares, has publicly stated that it will not accept the Offer by AEGP Australia in respect of any of its Armour Energy Shares given its confidence in the long term value opportunities in Armour Energy.⁶</p>	<p>Section 7.2</p>
<p>1.10 If I accept the Offer, can I withdraw my acceptance?</p>	<p>No. You cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, AEGP Australia varies the Offer in a way that postpones, for more than one month, the time when AEGP Australia has to meet its obligations under the Offer, and at that time, the Offer is subject to one of the Conditions.</p>	
<p>1.11 Can AEGP Australia vary the Offer?</p>	<p>Yes, AEGP Australia can vary the Offer by increasing the Offer Price or waiving the Conditions. The Directors do not know if AEGP Australia will vary its Offer. Any such variation will be announced to the ASX.</p>	<p>Section 3.8</p>
<p>1.12 When does the Offer close?</p>	<p>The Offer is scheduled to close at 7.00pm (Sydney time) on 12 January 2015 (unless extended or withdrawn). The Offer Period may also be automatically extended in certain circumstances.</p>	<p>Section 3.3</p>

⁶ Source: DGR Global Limited ASX Announcement "DGR to Support Armour's Proposed Deals with American Energy" released on ASX on 27 October 2015 in compliance with ASIC Class Order [CO 13/521].

Question	Answer	Further Information
1.13 What will happen if AEGP Australia raises its Offer Price?	<p>AEGP Australia has not declared the Offer Price final. AEGP Australia may decide to increase the Offer Price. If this occurs, the Directors will carefully consider the revised Offer and advise Shareholders accordingly. There is no guarantee that AEGP Australia will increase the Offer Price.</p> <p>If you have already accepted the Offer and AEGP Australia subsequently increase the Offer Price, you are entitled to receive the higher price even if you have already accepted the Offer.</p>	Section 3.8
1.14 What happens if I do nothing?	<p>You will remain an Armour Energy Shareholder, retain all of your Armour Energy Shares and will not receive any cash consideration.</p>	
1.15 Can I be forced to sell my Armour Energy Shares?	<p>If all Armour Energy Shareholders accept the Offer, and the Offer is freed from the Conditions, AEGP Australia will acquire voting power of almost 15% of Armour Energy. American Energy will not be able to proceed to compulsory acquisition, so you will retain any Armour Energy Shares not accepted into the Offer.</p>	
1.16 How many Shares does AEGP Australia hold in Armour Energy?	<p>As a result of the Shareholder Approval obtained at the EGM, Armour Energy issued AEGP Australia 16,922,311 Shares (5.26% of Armour Energy's Shares) at \$0.20 per Share on 4 November 2015.</p>	Sections 4.4 and 7.2
1.17 How do I accept the Offer?	<p>If you chose to accept the Offer, how you accept the Offer will depend on whether your Armour Energy Shares are in an Issuer Sponsored Holding or a CHESS Holding:</p> <ul style="list-style-type: none"> <li data-bbox="480 1312 1182 1570">i. if you hold your Armour Energy Shares in an Issuer Sponsored Holdings (your Securityholder Reference Number will begin with "I"), you must complete the Issuer Acceptance Form in accordance with the instructions on it and return it to the address on the Issuer Acceptance Form so that it is received before 7.00pm (Sydney time) on the last day of the Offer Period; or <li data-bbox="480 1581 1182 1827">ii. if you hold your Armour Energy Shares in a CHESS Holding (your Holder Identification Number will begin with "X") either contact your Controlling Participant (usually your Broker) and instruct them to accept the Offer on your behalf, or complete the CHESS Acceptance Form in accordance with the instructions on it and return it to the address on the CHESS Acceptance Form. <p>Full details of how to accept the Offer are set out in Section 8.4 of the Bidder's Statement.</p>	Section 5.1

Question	Answer	Further Information
1.18 What happens if I accept the Offer?	<p>If you accept the Offer while it is still conditional, unless withdrawal rights are available, you will not be able to:</p> <ul style="list-style-type: none"> i. sell your Armour Energy Shares accepted under the Offer on ASX (that is, you will not be able to settle the trade using those Armour Energy Shares); ii. sell your Armour Energy Shares accepted under the Offer to any other bidder that may make a takeover offer; and iii. otherwise deal with your Armour Energy Shares accepted under the Offer while the Offer remains open. <p>If the Conditions of the Offer are not satisfied or waived and the Offer lapses, you will be free to deal with your Armour Energy Shares accepted under the Offer.</p>	Sections 3.6
1.19 Can AEGP Australia withdraw the Offer?	Yes, but only in limited circumstances with the consent of ASIC.	
1.20 Can I accept the Offer for all of my Armour Energy Shares?	No. The Offer is a proportional takeover bid. AEGP Australia has offered to acquire 13.62% of the Shares held by each Shareholder (rounded down to the nearest whole number of Shares). You cannot accept the Offer for your entire Shareholding. ⁷	Section 7
1.21 Can I accept the Offer for less than 13.62% of my Armour Energy Shares?	No, you can only accept for the full 13.62% of your Armour Energy Shares, rounded down to the nearest whole number of Shares.	
1.22 What are the tax implications of accepting the Offer?	<p>There may be tax implications from the sale of your Armour Energy Shares. Each Shareholder's position will be different.</p> <p>You should obtain independent advice from your professional advisor or tax advisor in this regard. Section 6 of the Bidder's Statement specifies possible tax implications for Armour Energy Shareholders arising from the Offer.</p>	
1.23 Will I need to pay stamp duty if I accept the Offer?	The Bidder's Statement says that Armour Energy Shareholders should generally not be subject to adverse Australian stamp duty implications in connection with the	

⁷ Unless by accepting the Offer, the 86.38% of your Armour Energy Shares that you retain has a market value of less than \$500 based on the price of Armour Energy Shares on the day that your acceptance is received (or the most recent trading day before, if your acceptance is not received on a trading day), in which case the Offer will extend to 100% of your Armour Energy Shares. Refer to Section 7 of this Target's Statement and Section 8.1 of the Bidder's Statement for further details and qualifications in relation to this.

Question	Answer	Further Information
	<p>Offer.</p> <p>If you hold your Armour Energy Shares in an Issuer Sponsored Holding (your Securityholder Reference Number starts with an “I”) in your name and you instruct a Broker to initiate acceptance on your behalf, you should ask the relevant Broker whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p> <p>If you hold your Armour Energy Shares in a CHESS Holding (your Holder Identification Number starts with an “X”), or if you are a beneficial owner whose Armour Energy Shares are registered in the name of a Broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your Broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p>	
<p>1.24 What if I have other questions about the Offer?</p>	<p>Please call Armour Energy’s information line on 1300 794 935 for callers within Australia or on +61 1300 794 935 for callers outside Australia. The information line will be open from Monday to Friday between 8.30am to 5.30pm (Sydney time).</p>	<p>Section 5.4</p>
<p>1.25 Are Shareholders required to approve the Offer?</p>	<p>No.</p> <p>Even though Armour Energy’s Constitution contains a provision (rule 75) prohibiting the registration of transfers resulting from acceptances of a proportional takeover bid unless and until such proportional takeover bid has been approved by Armour Energy Shareholders, section 648G of the Corporations Act provides that such a provision ceases to apply after 3 years (unless renewed). Rule 75 of the Constitution has not been renewed in the previous 3 years, and accordingly has ceased to apply.</p>	
<p>1.26 What if I want to sell my Armour Energy Shares on-market?</p>	<p>During the Offer Period, you may sell your Armour Energy Shares on market for cash (less brokerage), provided you have not accepted the Offer for those Armour Energy Shares. You should contact your Broker for information on how to sell your Armour Energy Shares on ASX and your tax adviser to determine your tax implications of such a sale.</p>	
<p>1.27 If I accept the Offer, can I sell the remainder of my Shares on-market?</p>	<p>If you accept the Offer, you will retain 86.38% of your Armour Energy Shares. You may sell these Armour Energy Shares on-market. However, any purchaser of such Armour Energy Shares will not be able to accept the Offer in respect of those Shares.</p> <p>In accordance with ‘ASX Guidance Note 18: Market Codes and Trading Procedures’, there will be special ASX trading arrangements with respect to these remaining Armour Energy Shares. In summary they are as follows:</p>	

Question	Answer	Further Information
	<ul style="list-style-type: none"> i. purchasers of the remaining Armour Energy Shares will not be entitled to accept the Offer and such Armour Energy Shares will trade on the ASX on an “ex-Offer” basis; and ii. settlement of trades in “ex-Offer” Armour Energy Shares will be deferred until after the end of the Offer Period. <p>If you do not accept the Offer in respect of your Armour Energy Shares and instead sell some or all of your Armour Energy Shares, the purchaser of those Armour Energy Shares may accept the Offer. In this circumstance, your Armour Energy Shares will trade on a “cum-Offer” basis and in a normal (T+3) settlement process.</p>	
<p>1.28 When will I receive my consideration if I accept the Offer?</p>	<p>If you accept the Offer and the Offer becomes unconditional, AEGP Australia will pay you the consideration under the Offer by the earlier of:</p> <ul style="list-style-type: none"> i. one month after the later of receipt of your valid acceptance and necessary transfer documents and the date on which the Offer becomes unconditional; or ii. 21 days after the end of the Offer Period. 	

2. DIRECTORS' RECOMMENDATION

2.1 SUMMARY OF THE AEGP AUSTRALIA OFFER

AEGP Australia is offering Armour Energy Shareholders \$0.25 cash for 13.62% of their Armour Energy Shareholding. The Offer is subject to a number of Conditions. These Conditions are set out in section 8.8 of the Bidder's Statement and are summarised in Section 3.4 of this Target's Statement.

2.2 THE DIRECTORS

The following are Directors of Armour Energy as at the date of this Target's Statement:

- Nicholas Mather - Executive Chairman
- William Robert Stubbs - Non-Executive Director
- Roland Kingsbury Sleeman - Non-Executive Director
- Stephen Grant Bizzell - Non-Executive Director

Further details in respect of the Directors are set out in section 6.3 of this Target's Statement.

2.3 DIRECTORS' RECOMMENDATION

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of your Directors recommends that you ACCEPT the Offer (in the absence of a Superior Proposal).

In considering whether to accept the Offer, your Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the reasons for the Directors' recommendations noted in this Target's Statement; and
- obtain financial advice from your broker or financial advisor about the Offer and obtain taxation advice on the effect of accepting the Offer.

The interests of each Armour Energy Director in Armour Energy are set out in Section 10 of this Target's Statement.

Each of the above mentioned Directors recommends that you ACCEPT the Offer (in the absence of a Superior Proposal).

2.4 REASONS TO ACCEPT THE OFFER

The reasons that the Directors recommend that you ACCEPT the Offer (in the absence of a Superior Proposal) are outlined in the Section of the Target's Statement entitled "KEY REASONS TO ACCEPT THE OFFER".

3. KEY TERMS OF THE AEGP AUSTRALIA OFFER

3.1 HISTORY

On 20 August 2015, Armour Energy entered into the LOI with AEGP Australia in respect of the AEP Northern Territory Farm-Out.

On 31 August 2015, WestSide made an unsolicited, hostile takeover-bid for all of the Shares in Armour Energy at \$0.12 per Share (**WestSide Offer**). The WestSide Offer was subject to a condition that Armour Energy not enter into agreements to give effect to the AEP Northern Territory Farm-Out.

On 11 September 2015, Armour Energy entered into the Definitive Agreements with AEGP Australia in respect of the AEP Northern Territory Farm-Out.

On 7 October 2015, the Board of Armour Energy recommended that Shareholders reject the WestSide Offer in the WestSide Response Target's Statement.

On 15 October 2015, WestSide made a revised offer for all of the Shares in Armour Energy at \$0.20 per Share (**WestSide Revised Offer**). In addition to the WestSide Revised Offer, WestSide agreed for Armour Energy to provide Shareholders with a dividend distribution of Lakes Oil NL Shares worth up to \$0.014 for each Armour Energy Share held (if the WestSide Revised Offer became unconditional). Armour Energy and WestSide entered into a bid implementation agreement to give effect to the above on 14 October 2015. On 19 October, WestSide lodged its Second Supplementary Bidder's Statement in respect of the WestSide Revised Offer.

On 26 October 2015, the Board of Armour Energy recommended the WestSide Revised Offer to Shareholders (in the absence of a Superior Proposal) in the WestSide Response First Supplementary Target's Statement.

On 27 October 2015, American Energy announced that it would make through its affiliate AEGP Australia, a proportional takeover offer for 13.62% of each Armour Energy Shareholders' Shares at \$0.25 per Share following the EGM and subject to the passing of each resolution at the EGM. Armour Energy, after taking advice from its advisers, entered into a bid implementation agreement with AEGP Australia on this date to give effect to the Offer.

On 30 October 2015, Armour Energy Shareholders voted in favour of the resolutions at the EGM in respect of the AEP Northern Territory Farm-Out. Of the votes lodged in respect of each resolution (total votes of 195,511,056), 184,966,406 votes (or 94.60%) were in favour of the AEP Northern Territory Farm-Out (including 47,204,940 discretionary votes which were also voted in favour by the Chairman).

On 5 November 2015, WestSide withdrew the WestSide Revised Offer.

On 1 December 2015, AEGP Australia lodged its Bidder's Statement with ASIC and gave a copy to Armour Energy.

On 11 December 2015, AEGP Australia despatched its Bidder's Statement to Armour Energy Shareholders.

On 24 December 2015, Armour Energy lodged this Target's Statement in response to the Offer from AEGP Australia.

3.2 SUMMARY OF AEGP AUSTRALIA OFFER

The Offer from AEGP Australia is to acquire 13.62% of all of the Shares in Armour Energy that it does not already own, and any Rights attaching to those Shares, for \$0.25 cash for each Armour Energy Share.

The Offer is a proportional takeover bid and does not provide Shareholders with the ability to sell their entire shareholding.⁸ Accordingly, if you accept the Offer, you will:

- (a) receive \$0.25 cash per Share for 13.62% of your shareholding in Armour Energy (rounded down to the nearest whole number of Shares); and
- (b) retain the other 86.38% of your shareholding in Armour Energy.

If you wish to sell the remainder of your Armour Energy Shares, you may do so on market, but there is no guarantee of the price at which the Armour Energy Shares will trade from time to time, whether before or after the Closing Date. The sale of the remainder of your Armour Energy Shares on market after you accept the Offer will be subject to deferred settlement trading, meaning the sale of those Shares will not settle until after the end of the Offer (and the purchaser of such Shares will be unable to participate in the Offer).

3.3 OFFER PERIOD

The Offer will remain open for acceptance until the Closing Date, unless automatically extended under the Corporations Act or withdrawn with the written consent of ASIC under the Corporations Act.

3.4 CONDITIONS OF THE AEGP AUSTRALIA OFFER

The Offer, and any contract resulting from acceptance, is subject to the conditions set out below:

(a) **(No regulatory action)**

During the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree issued by a Governmental Agency;
- (2) no action or investigation is announced, commenced or threatened by any Governmental Agency; and
- (3) no application is made to any Governmental Agency (other than by a member of the Bidder Group),

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

- (4) restrains, prohibits or impedes (or if granted or made could restrain, prohibit or impede), or otherwise materially adversely impacts upon:
 - (A) the making of the Offers or the completion of any transaction contemplated by the Offer; or

⁸ If accepting the Offer would leave you with less than a Marketable Parcel of Armour Energy Shares, the Offer will extend to all of your Armour Energy Shares subject to the modification to section 618(2) of the Corporations Act made by ASIC under Class Order [CO 13/521]. See Section 7 of the Target's Statement for further information in relation to this and the relevant restrictions which also apply.

-
- (B) the rights of the Bidder in respect of Target or the Target Shares; or
 - (5) requires the divestiture by Bidder of any Target Shares or the divestiture of any assets of the Target Group.

(b) **(No Prescribed Occurrences)**

No Prescribed Occurrence happens in the period between the date of the Bid Implementation Agreement and the date on which the Offer Period ends (both inclusive).

3.5 CONSEQUENCES IF CONDITIONS ARE NOT SATISFIED

If the Conditions are not satisfied or waived before the Offer closes, the Offer will lapse. This means that:

- (a) if you have accepted the Offer, your acceptance is void and you will continue to hold all of your Armour Energy Shares, free to deal with however you chose; or
- (b) if you have not accepted the Offer, you continue to hold all of your Armour Energy Shares, free to deal with however you choose.

3.6 EFFECT OF ACCEPTANCE

The effect of acceptance of the Offer is set out in Section 8.7 of the Bidder's Statement. You should read those sections in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Armour Energy Shares and the representations and warranties which you give by accepting the Offer. In particular, if you accept the Offer, you will:

- (a) relinquish control of the 13.62% of your Armour Energy Shares to which the Offer relates to AEGP Australia;
- (b) be prevented from selling the 13.62% of your Armour Energy Shares to which the Offer relates on ASX;
- (c) be prevented (subject to any withdrawal right which may arise pursuant to the Corporations Act) from accepting any higher takeover bid that may be made by a third party or any alternative transaction proposal that may be recommended by the Directors in respect of the 13.62% of your Armour Energy Shares to which the Offer relates; and
- (d) if you choose to sell the remaining 86.38% of your Armour Energy Shares (to which the Offer does not relate) on market, you will not receive payment until after the end of the Offer Period (and the recipient of such Shares will not be able to accept the Offer in respect of those Shares).

3.7 PAYMENT OF CONSIDERATION

AEGP Australia has set out in Section 8.2 of the Bidder's Statement, the timing of the payment of the consideration to holders of Armour Energy Shares who accept the Offer. In general terms, if you accept the Offer and the contract resulting from your acceptance of the Offer becomes unconditional, you will receive the consideration to which you are entitled under the Offer on or before the earlier of:

-
- (a) one month after the date of your acceptance or, if the Offer is subject to a defeating condition when you accept the Offer, within one month after the Offer becomes unconditional; and
 - (b) 21 days after the end of the Offer Period.

3.8 CHANGES TO THE AEGP AUSTRALIA'S OFFER

AEGP Australia can vary the Offer by:

- (a) waiving the Conditions to the Offer;
- (b) extending the Offer Period (AEGP Australia have stated that the Offer will not be extended beyond the Closing Date unless automatically extended in accordance with section 624(2)(a) of the Corporations Act); or
- (c) increasing the consideration offered under the Offer.

If you accept the Offer and AEGP Australia subsequently increases its Offer Price, you are entitled to receive the higher price but your ability to withdraw that acceptance to participate in the benefit of a Superior Proposal (should one eventuate) is limited.

4. ABOUT AEGP AUSTRALIA

4.1 DISCLAIMER

The following information about AEGP Australia has been prepared by Armour Energy using publicly available information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, Armour Energy does not, subject to the Corporations Act, make any representation or warranty, express or implied as to the accuracy or completeness of this information.

The information on AEGP Australia in this Target's Statement should not be considered comprehensive. Please refer to the Bidder's Statement for further information in respect of AEGP Australia.

4.2 OVERVIEW OF AEGP AUSTRALIA

Section 1 of the Bidder's Statement provides background information regarding AEGP Australia and American Energy Partners, LP.

AEGP Australia is an Australian proprietary company.

AEGP Australia was incorporated on 6 May 2015.

4.3 OVERVIEW OF AMERICAN ENERGY PARTNERS LP

AEP is an oil and natural gas operating and asset management company located in Oklahoma City, Oklahoma, U.S.A. AEP seeks to deliver best-in-class financial and operating results to investors and partners through industry-leading capabilities in developing and managing oil and natural gas assets in premier onshore U.S. and international oil and natural gas fields. Founded in April 2013 by Aubrey McClendon, AEP has grown to 450 employees and has raised over US\$14 billion in equity and debt across seven independently financed oil and gas businesses.

Previously, Mr McClendon was co-founder, Chairman and CEO of Chesapeake Energy Corporation from 1989 until 2013. Under his leadership, Chesapeake grew from a start-up to the second largest natural gas producer and the 11th largest oil producer in the U.S. Mr. McClendon and members of AEP have been involved in the drilling of over 12,000 horizontal shale wells. Under McClendon, Chesapeake was widely credited with leading the US energy oil and natural gas unconventional resource revolution.

AEP has focused on developing custom-built play-specific and strategy-specific companies, rather than combining varied assets into a single company, and leveraging its human resources across the various companies. It has accomplished this by leveraging a management services model whereby it provides substantially all of the affiliated companies' required operational services, as well as support services.

Further information regarding AEP is available on their website at: www.americanenergypartners.com.

4.4 AEGP AUSTRALIA'S INTEREST IN ARMOUR ENERGY

AEGP Australia is a registered holder of 16,922,311 Armour Shares which represents 5.26% of the total number of Armour Shares on issue as at the date of this Bidder's Statement.

5. YOUR CHOICES AS AN ARMOUR ENERGY SHAREHOLDER

Your Directors unanimously recommend that you accept the Offer (in the absence of a Superior Proposal).

As an Armour Energy Shareholder you can respond to the Offer in three ways.

5.1 ACCEPT THE OFFER

To accept the Offer, follow the instructions set out in Section 8.4 of the Bidder's Statement.

In summary:

If you chose to accept the Offer, how you accept the Offer will depend on whether your Armour Energy Shares are in an Issuer Sponsored Holding or a CHESS Holding:

- i. if you hold your Armour Energy Shares in an Issuer Sponsored Holdings (your Securityholder Reference Number will begin with "I"), you must complete the Issuer Acceptance Form in accordance with the instructions on it and return it to the address on the Issuer Acceptance Form so that it is received before 7.00pm (Sydney time) on the last day of the Offer Period; or
- ii. if you hold your Armour Energy Shares in a CHESS Holding (your Holder Identification Number will begin with "X") either contact your Controlling Participant (usually your Broker) and instruct them to accept the Offer on your behalf, or complete the CHESS Acceptance Form in accordance with the instructions on it and return it to the address on the CHESS Acceptance Form.

Full details of how to accept the Offer are set out in Section 8.4 of the Bidder's Statement.

If you accept the Offer and choose to sell the remaining 86.38% of your Armour Energy Shares on market, any purchaser of such Armour Energy Shares will not be able to accept the Offer in respect of 13.62% of those Shares and the settlement of any trading in the retained Armour Energy Shares not subject to the Offer will be deferred until after the end of the Offer Period.

5.2 REJECT THE OFFER

If you wish to reject the Offer you need not take any action.

5.3 SELL YOUR ARMOUR ENERGY SHARES ON THE ASX

During the Offer Period, you can still sell your Shares on market for cash if you have not already accepted the Offer for those Shares. If you choose to do so, the purchaser of those Shares may accept the Offer in respect of 13.62% of those Shares and settlement will occur on the normal "T+3" basis.

The latest price for Armour Energy Shares may be obtained from the ASX website www.asx.com.au (ASX:AJQ).

If you sell your Shares on market you:

- (a) will lose the ability to accept the Offer and any higher offer in respect of those Shares (which may or may not eventuate);
- (b) will lose the opportunity to receive future returns from Armour Energy;
- (c) may be liable for CGT on the sale; and
- (d) may incur a brokerage charge.

5.4 ENQUIRIES

If you have any queries in relation to the Offer, you should contact your financial, legal or other professional advisor.

Armour Energy has set up a Shareholder information line. If you have any questions in relation to the Offer, please call Armour Energy's information line on 1300 794 935 for callers within Australia or on +61 1300 794 935 for callers outside Australia. The information line will be open from Monday to Friday between 8.30am to 5.30pm (Sydney time).

6. PROFILE OF ARMOUR ENERGY

6.1 INTRODUCTION

Armour Energy is a company limited by shares that is incorporated and domiciled in Australia. It was first established as a proprietary company on 18 December 2009 and is focussed on the discovery and development of conventional and unconventional gas and associated liquids resources in Australia.

6.2 BUSINESS OVERVIEW

Armour Energy is focused on the discovery and development of world class gas and associated liquids resources in an extensive hydrocarbon province in northern Australia which was first discovered in the early 1990s. This region has only recently had its shale potential identified by Armour Energy.

Today's business environment with strong domestic and global demand for gas, domestic gas prices trending towards LNG netback, combined with proven and safe shale extraction technologies and world class personnel, provides Armour Energy with an extraordinary opportunity to define and ultimately develop a major new gas province.

Armour Energy's permit areas in northern Australia are characterised by low population densities, low social impact, cooperative stakeholders and a natural environment suited to the exploration and development of a major future hydrocarbon province.

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

Armour Energy will progress exploration of its 133,000 square kilometres (33 million acres) tenement area while maintaining a prudent approach to capital management, low-cost, high value work programs and partnering on appropriate terms. Exploration will focus on staged de-risking of large unconventional gas and liquids plays while pursuing early cash flow opportunities.

The experienced Board of Armour Energy includes three past directors of Arrow Energy Ltd. Armour Energy's technical and commercial team includes a range of industry experts and seasoned professionals who have been selected to help transform Armour Energy into a significant gas exploration and development company.

6.3 DIRECTORS

DIRECTORS



Executive Chairman

Nicholas Mather
BSc (Hons, Geol), MAusIMM

Nicholas Mather's special area of experience and expertise is the generation of and entry into undervalued or unrecognised resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 25 years. In that time he has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies Mr Mather brings a wealth of valuable experience.

During the past three years Mr Mather has also served as a Director of the following listed companies:

- DGR Global Ltd*
- Aus Tin Mining Limited*
- Navaho Gold Ltd*
- Lakes Oil NL*
- SolGold plc, which is listed on the London Stock Exchange (AIM)*
- IronRidge Resources Limited, which is listed on the London Stock Exchange (AIM)*
- Bow Energy Ltd (resigned 11 January 2012)
- Orbis Gold Ltd (resigned 16 February 2015).

* Current Directorships



Non-Executive Director

William (Bill) Stubbs
LLB

Mr Stubbs is a lawyer of 35 years' experience and is currently the Chairman of DGR Global Ltd. He was the co-founder of the legal firm Stubbs Barbelor and has practiced extensively in the area of Commercial Law including Stock Exchange listings and all areas of mining law.

Mr Stubbs has held the position of Director of various public companies over the past 25 years in the mineral exploration and biotech fields. He is also the former Chairman of Alchemia Ltd and Bemax Resources NL which discovered and developed extensive mineral sands resources in the Murray Basin.

He was the founding Chairman of Arrow Energy NL which originally pioneered coal seam gas development in Queensland's Bowen and Surat Basins from 1998, and is now a world-wide coal seam gas company.

During the past three years Mr Stubbs has also served as a Director of the following listed companies:

- DGR Global Ltd*
- Lakes Oil NL*
- Coalbank Ltd (resigned 22 November 2013).

* Current Directorships



Non-Executive Director

Roland Sleeman
BEng (Mech), MBA

Roland Sleeman has 34 years' experience in oil and gas as well as utilities and infrastructure. Mr Sleeman has served in senior management roles, including with Eastern Star Gas Limited as Chief Commercial Officer and AGL as General Manager of the Goldfields Gas Pipeline.

Mr Sleeman has extensive engineering and business experience including negotiation of gas sales agreements that provided a foundation for development of the North West Shelf Project,

commercialisation of new gas and power station opportunities and management of major gas transmission pipeline infrastructure. Mr Sleeman has provided specialist commercial, regulatory and project development advice to both the public and private sectors.

Mr Sleeman has not served as a Director of any other listed company in the last three years.



Non-Executive Director

Stephen Bizzell
BComm, MAICD

Stephen Bizzell is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd.

Mr Bizzell was previously an Executive Director of Arrow Energy Ltd from 1999 until its acquisition by Shell and Petro China for \$3.5 billion in August 2010. He was instrumental in Arrow Energy's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also previously a Non-Executive Director of Bow Energy Ltd prior to its takeover by Arrow Energy Pty Ltd for \$0.5 billion in January 2012. He has had further experience in the unconventional oil and gas sector as a Director of Dart Energy Ltd, Apollo Gas Ltd, Titan Energy Services Ltd and UIL Energy Ltd.

Mr Bizzell qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 20 years' corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies.

He is also a Director of Queensland Treasury Corporation.

During the past three years Mr Bizzell has also served as a Director of the following listed companies:

- Bow Energy Ltd (resigned 11 January 2012)
- Hot Rock Ltd (resigned 14 August 2014)
- Dart Energy Ltd (resigned 26 November 2014)
- Diversa Ltd*
- Renascor Resources Ltd* (formerly Renaissance Uranium Ltd)
- Stanmore Coal Ltd*
- Titan Energy Services Ltd*
- Laneway Resources Limited* (formerly Renison Consolidated Mines NL)
- UIL Energy Ltd*.

* Current Directorships

6.4 SUMMARY OF FINANCIAL INFORMATION

Set out below is an extract of Armour Energy's consolidated statement of financial position as at 30 June 2015 as contained in Armour Energy's Annual Report for 2015 which was announced to the ASX on 2 September 2015. It should be read with its accompanying notes.

Since 30 June 2015, a number of material events have occurred (including the proposed Roma Shelf Assets Acquisition, the proposed AEP Northern Territory Farm-Out, the WestSide Offer/WestSide Revised Offer and the Offer by AEGP Australia).

SPA 6 of the Roma Shelf Assets Acquisition and the proposed AEP Northern Territory Farm-Out are conditional, and accordingly do not currently impact on the financial position of Armour Energy. Should they both complete, there will be a capital expenditure requirement in respect of SPA 6 of the Roma Shelf Assets Acquisition (see Section 9.3 of this Target's Statement for further information), as well as an inflow of capital arising pursuant to the AEP Northern Territory Farm-Out (see Section 8 of this Target's Statement for further information). There can be no guarantee that these transactions will complete or complete substantially in accordance with their terms.

Armour Energy has entered into a binding agreement with DGR in respect of the Facility.⁹ It may be the case that irrespective of the various potential capital inflow events, that Armour Energy may still require further capital, and Armour Energy will assess its need for such further capital and react accordingly dependent upon such a requirement arising.

Armour Energy's cash balance as at 18 December 2015 was A\$1.76 million.

For details of the notes to the accounts, please see Armour Energy's Annual Report for 2015 which can be located on the ASX website at www.asx.com.au using Armour Energy's ASX code 'AJQ' or Armour Energy's website at <http://www.armourenergy.com.au>.

⁹ Source: Armour Energy ASX Announcement "Roma Shelf Funding Update" released on ASX on 11 September 2015, Armour Energy ASX Announcement "Execution of Binding Term Sheet with DGR Global" released on ASX on 30 September 2015, Armour Energy ASX Announcement "Clarification Statement re DGR Financing Facility" released on ASX on 30 September 2015 and Armour Energy ASX Announcement "Amendment to Binding Term Sheet with DGR Global" released on ASX on 1 October 2015.

	Notes	2015 \$	Restated 2014 \$
Current assets			
Cash and cash equivalents	8	8,533,160	6,474,941
Trade and other receivables	9	191,672	119,159
Other current assets	10	272,682	298,440
Total current assets		8,997,514	6,892,540
Non-current assets			
Other financial assets	11	5,241,972	7,406,817
Property, plant and equipment	12	116,393	170,309
Exploration and evaluation assets	13	55,156,524	60,428,432
Deferred tax assets	4	–	504,785
Total non-current assets		60,514,889	68,510,343
Total assets		69,512,403	75,402,883
Current liabilities			
Trade and other payables	14	898,025	634,241
Provision	15	74,379	53,828
Total current liabilities		972,404	688,069
Non-current liabilities			
Deferred tax liability	4	1,177,530	–
Total non-current liabilities		1,177,530	–
Total liabilities		2,149,934	688,069
Net assets		67,362,469	74,714,814
Equity			
Issued capital	16	83,880,979	83,709,877
Reserves	18	571,896	1,520,269
Accumulated losses		(17,090,406)	(10,515,331)
Total equity attributable to owners of Armour Energy Ltd		67,362,469	74,714,814

6.5 ISSUED CAPITAL

As at the date of this Target's Statement, Armour Energy's issued Share capital was 321,558,077 Shares.¹⁰

6.6 SUBSTANTIAL HOLDERS

As at the date of this Target's Statement, the following entities (together with any of their associates) have a relevant interest in 5% or more of Armour Energy's Shares:

Name	Armour Energy Shares	Relevant interest in shares (%)
DGR Global Limited ¹¹	75,050,000	23.34%
Och-Ziff Holding Corporations and Och-Ziff Capital Management Group LLC ¹²	28,149,985	8.75%
AEGP Australia Pty Ltd ¹³	16,922,311	5.26%

^{*}on behalf of themselves, OZ Management LP, OZ Management II LP and their controlled entities OZ Asia Master Fund, Ltd., OZ Enhance Master Fund, Ltd., Gordel Capital Limited, OZ ELS Master Fund, Ltd., OZ Master Fund, Ltd., OZ Eureka Fund, L.P, Goldman Sachs Profit Sharing Master Trust and OZ Global Special Investments Master Fund L.P.

[^]on behalf of themselves, AELP NT Australia Holdings Ltd, Arcadia Capital Australia, LLC and Aubrey McClendon.

6.7 PUBLICLY AVAILABLE INFORMATION

Armour Energy is a company listed on the ASX and is subject to periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on Armour Energy is publicly available and may be accessed by referring to Armour Energy on www.asx.com.au (ASX:AJQ).

6.8 FURTHER INFORMATION

For further information regarding Armour Energy, please refer to Armour Energy's 2015 Annual Report which can be located on the ASX website at www.asx.com.au using Armour Energy's ASX code 'AJQ' or Armour Energy's website at www.armourenergy.com.au.

¹⁰ Source: Armour Energy ASX Announcement "Appendix 3B" released on ASX on 4 November 2015 and Armour Energy ASX Announcement "Appendix 3B (Revised)" released on ASX on 8 December 2015.

¹¹ Source: Armour Energy ASX Announcement "Full Year Statutory Accounts (Relodged)" released on ASX on 15 September 2015.

¹² Source: Armour Energy ASX Announcement "Form 604 Notice of change of interests of substantial holder" released on ASX on 20 October 2014.

¹³ Source: Armour Energy ASX Announcement "Becoming a substantial holder" released on ASX on 5 November 2015.

6.9 OVERVIEW OF ASSETS

Armour Energy's interests in granted tenements are listed in the three tables below. In addition, Armour Energy has a number of permits under application.

(a) Northern Territory tenements

Asset	Name	Owner of Tenement	Armour Energy's Interest
EP 171	Abner Range	Armour Energy	100%
EP 174	Robinson River 2	Armour Energy	100%
EP 176	Ryans Bend	Armour Energy	100%
EP 190	Calvert	Armour Energy	100%
EP 191	Wallhollow	Armour Energy	100%
EP 192	Wollogorang	Armour Energy	100%
EL 30076	Kermit	Ripple Resources	100%
EL 30077	Gonzo	Ripple Resources	100%
EL 30078	Fozzie	Ripple Resources	100%
EL 30079	Scooter	Ripple Resources	100%
EL 30080	Miss Piggy	Ripple Resources	100%
EL 29837	Catfish Hole	Ripple Resources	100%
EL 29951	Eric Cartmen	Ripple Resources	100%
EL 29952	Kenny McCormick	Ripple Resources	100%
EL 29953	Secret Treasure	Ripple Resources	100%
EL 29954	Kyle Broflovski	Ripple Resources	100%
EL 29955	Stan Marsh	Ripple Resources	100%
EL 30494	Statler & Waldorf	Ripple Resources	100%
EL 30736	Vutron	Ripple Resources	100%
EL 30737	Collider	Ripple Resources	100%
EL 30750	Hyperion	Ripple Resources	100%

Asset	Name	Owner of Tenement	Armour Energy's Interest
EL 30751	Carrington	Ripple Resources	100%
EL 30752	Acheron	Ripple Resources	100%
EL 30753	Mondegreen	Ripple Resources	100%
EL 30774	Tyrell	Ripple Resources	100%
EL 30775	Remote	Ripple Resources	100%
EL 30776	Void	Ripple Resources	100%

(b) Queensland tenements

Asset	Name	Owner of Tenement	Armour Energy's Interest
ATP 1087	South Nicholson	Armour Energy	100%
EPM 19833	Bowthorn	Ripple Resources	100%
EPM 19835	Shadforth East	Ripple Resources	100%
EPM 19836	Shadforth	Ripple Resources	100%
EPM 25410	Bowthorn - Extended	Ripple Resources	100%
EPM 25802	Walford East	Ripple Resources	100%
EPM 25504	Argyle Creek	Ripple Resources	100%
EPM 25505	Border	Ripple Resources	100%

(c) Victorian tenements

Armour Energy has an 18.89% shareholding in Lakes Oil.¹⁴ Lakes Oil is an oil and gas explorer focused on the Otway and Gippsland Basins in Victoria. Armour Energy has entered into agreements on the three projects with Lakes Oil. Armour Energy's interest in the three projects is outlined in the table below.

¹⁴ Source: Lakes Oil ASX Announcement "Change in substantial holding from AJQ" released on ASX on 12 December 2014 in compliance with ASIC Class Order [CO 07/429].

Asset	Name	Owner of Tenement	Armour Energy's Interest
PEP 169	Moreys	Lakes Oil	51%
PEP 166	Holdgate	Lakes Oil	25%
PRL2		Lakes Oil	15% ¹⁵

6.10 PROSPECTIVE RESOURCES

Armour Energy's Best Estimate Prospective Recoverable Gas Resources in northern Australia have increased from 34 Tscf to 57 Tscf, a 66% increase, as of September 2015.¹⁶

The update includes maiden gas Prospective Resources from the Tawallah Group Unconventional Reservoirs in the McArthur Basin of the Northern Territory, as first announced by Armour Energy on 29 April 2015, and the Riversleigh Shale located beneath the Lawn Hill Shale in ATP 1087, Queensland. In addition, a new combined inventory totalling 193 conventional leads and prospects in the Northern Territory can target 4.9 Tscf of Best Estimate Prospective Recoverable Gas Resources.¹⁷

6.11 CONTINGENT RESOURCES

Armour Energy also has 35.5 Bscf 1C Contingent Recoverable Gas Resources, 160.4 Bscf 2C Contingent Recoverable Gas Resources and 374.2 Bscf 3C Contingent Recoverable Gas Resources, which have been independently assessed.¹⁸

¹⁵ Lakes Oil has a 100% interest in the PRL2, except for the Trifon and Gangell blocks where Lakes Oil has a 57.5% interest and Jarden Corporation Australia Pty Ltd has a 42.5% interest. A successful exercise of the matching rights by Armour Energy would produce the following relevant interests (Lakes Oil, 85% interest in the overall permit, except for the Trifon and Gangell blocks where Lakes Oil would have a 42.5% interest and Jarden Corporation Australia Pty Ltd would have a 42.5% interests. Armour Energy would have a 15% interest in PRL2 subject to completing certain exploration expenditure). Source: Lakes Oil ASX Announcement "Quarterly Activities and Cash Flow Report - June 2015" released on ASX on 31 July 2015 in compliance with ASIC Class Order [CO 13/523].

Beach Energy Limited and Somerton Energy (now Cooper Energy) withdrew from their farm-in agreement over PRL2 by which they could have earned a 50% interest in the permit by conducting certain expenditure up to the value of \$50 million, and Armour Energy had a period of 6 months to match the terminated farm-in agreement. Armour Energy sent Lakes Oil a letter exercising this matching right in relation to the farm-in agreement for PRL2. The matching right relates, amongst other things, to the phase 1 fracture stimulation of 2 wells incurring up to \$10 million of expenditure (subject to the Moratorium). As referred to above, the original farm-in agreement over PRL2 in respect of which Armour Energy has sought to match, also included a right to earn up to a 50% interest in PRL2. Lakes Oil disputes that Armour Energy has exercised that right to match. The parties have reserved their rights in this matter which is yet to be determined.

Additionally, Armour Energy has a 3 year option to acquire 50% of Lakes Oil's interests in the Trifon and Gangell blocks and a direct 25% interest in the remainder of PRL2 for a total payment of \$30 million. Option fees payable have a maximum lifetime value of \$0.6 million. The life of this option has been extended while the Moratorium is in place.

¹⁶ Source: Armour Energy ASX Announcement "Major Prospective Resources Upgrade - Northern Australia" released on ASX on 21 September 2015.

¹⁷ Source: Armour Energy ASX Announcement "Major Prospective Resources Upgrade - Northern Australia" released on ASX on 21 September 2015.

¹⁸ Source: Armour Energy ASX Announcement "Independent Assessment of Contingent Resources Egilabria 2" released on ASX on 16 July 2014 and Armour Energy ASX Announcement "Independent Certification of NT Contingent Resources" released on ASX on 24 April 2013.

7. Proportional takeover bid and maximum ownership of Armour Energy

7.1 Proportional Takeover Bid

(a) Proportional takeover bid

The Offer is a proportional takeover bid for 13.62% of your Armour Energy Shares. Accordingly, if you accept the Offer, you will receive \$0.25 per Armour Energy Share for 13.62% of your Shares (rounded down to the nearest whole number of Shares) and retain the remaining 86.38% of your Shares.

For example, if you own 100,000 Shares and accept the Offer you will receive \$3,405 and continue to own 86,380 Shares.

(b) Non-Marketable Parcel Extension

As the Offer is a proportional takeover bid, you may only accept the Offer for 13.62% of your Shares, and not a greater or lesser proportion. However, if by accepting the Offer, the 86.38% of your Armour Energy that you retain has a market value of less than \$500 based on the “cum Offer” ASX closing price of Armour Energy Shares on the date that is the most recent trading day before the relevant acceptance of the Offer is received, the Offer will extend to 100% of your Armour Energy Shares (**Non-Marketable Parcel Extension**).¹⁹ In this case, Armour Energy Shareholders may elect to accept the Offer for either 13.62% or 100% of their Armour Energy Shares.

The Non-Marketable Parcel Extension will not apply to a parcel of Armour Energy Shares, whether held beneficially or otherwise, that has come into existence, or increased in size because of a transaction entered into (including the creation of one or more trusts), at any time after 10:00am on the Announcement Date. This also applies in relation to persons who hold Armour Energy Shares as nominee or trustee for others (see Sections 8.1(d) and 8.6(b) of the Bidder’s Statement for further details).

7.2 Maximum ownership of Armour Energy

AEGP Australia holds, as at the date of this Target’s Statement 16,922,311 Shares or 5.26% of Armour Energy.

Under the Offer, AEGP Australia has offered to acquire 13.62% of each Shareholder’s Shares. DGR Global Limited has stated that it will not accept the Offer given its confidence in the long term value opportunities in Armour Energy.²⁰ Accordingly, the maximum potential acceptance of the Offer is 31,269,581 Shares (taking into account DGR’s stated intention to not accept the Offer, assuming no further Shares are issued or any Options are exercised, disregarding any acquisitions of Shares arising pursuant to the Non-Marketable Parcel Extension and not including the effects of rounding). Should the maximum potential acceptances under the Offer be achieved, AEGP Australia will hold 48,191,892 Armour Energy Shares, or 14.99% of all Armour Energy Shares on issue.

On closing of the AEP Northern Territory Farm-Out, AEGP Australia will be issued a further 16,888,502 Armour Energy Shares at \$0.20 per Share, bringing AEGP Australia’s maximum shareholding in Armour Energy to 65,080,394 or 19.23% of an enlarged Share capital of 338,446,579 Shares.

¹⁹ See the modification to section 618(2) of the Corporations Act made by ASIC under ASIC Class Order [CO 13/521]. See Section 8.1(d) of the Bidder’s Statement for further details.

²⁰ Source: DGR ASX Announcement “DGR to Support Armour’s Proposed Deals with American Energy” released on ASX on 27 October 2015 in compliance with ASIC Class Order [CO 13/523].

8. AEP NORTHERN TERRITORY FARM-OUT

As initially announced to the ASX on 20 August 2015 (in respect of the LOI), and subsequently on 11 September 2015 (in respect of the Definitive Agreements), Armour Energy and AEGP Australia have entered into the Definitive Agreements to give effect to the AEP Northern Territory Farm-Out (pursuant to which AEGP Australia may acquire a 75% working interest and operatorship of Armour Energy's McArthur Basin oil and gas tenements in the Northern Territory).

Shareholders should note that while the AEP Northern Territory Farm-Out was approved at the EGM on 30 October 2015, the AEP Northern Territory Farm-Out is still conditional on a number of other matters (including, amongst other matters, AEGP Australia undertaking due diligence to its satisfaction and regulatory approval under the Northern Territory Petroleum Act).

Shareholders should also be aware that the satisfaction of the conditions of the FOA (on which a number of the other Definitive Agreements are also conditional upon) are not due until 9 January 2016. Armour Energy has no reason to believe as this point in time, that these conditions precedent will not be satisfied.

The AEP Northern Territory Farm-Out is summarised as follows:

- (a) AEGP Australia will farm-in to all of the Northern Territory Tenements covering approximately 29.3 million acres of Armour Energy's McArthur Basin tenement position (Armour Energy will retain 100% of all of its tenements in north west Queensland covering approximately 5 million acres);
 - (b) Armour Energy will transfer a 75% working interest and operatorship in the Northern Territory Tenements to AEGP Australia, subject to adjustment if the program is not completed.²¹ In exchange, AEGP Australia will fund 100% of the capital expenditure to be spent on the Permits (being its own contribution as well as that of Armour Energy) until the earlier of:
 - 31 December 2020; or
 - The date it has expended a total of:
 - i. US\$130,000,000, if both of EPAs 177 and 178 are granted;
 - ii. US\$115,000,000, if only one of those EPAs is granted; or
 - iii. US\$100,000,000, if neither of those EPAs are granted
- (Phase One).
- (c) following Phase One, the parties will conduct operations governed by the OA;
 - (d) AEGP Australia will maintain the Northern Territory Tenements in good standing;
 - (e) AEGP Australia will pay Armour Energy:
 - US\$13 million in cash upon closing of the transaction;
 - a further US\$3 million on grant and transfer of a 75% interest in EPA 177 and EPA 178 to AEGP Australia; and

²¹ Armour Energy will reclaim operatorship if AEGP Australia does not earn at least a 50.1% interest in the Northern Territory Tenements.

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- a further US\$7 million upon the earlier of:
 - i. the date on which the grant of production licences over at least 1 million acres in respect of EP 171, EP 176 and EP 191; or
 - ii. the date on which EPA 172, EPA 173, EPA 179, EPA 193, EPA 195 and EPA 196 have been granted and a 75% interest has been transferred to AEGP Australia and registered by NTDME.
 - (f) Armour Energy has agreed to issue 24 million unlisted Options to AEGP Australia;
 - (g) under the Share Subscription Agreement:
 - on 4 November 2015, Armour Energy has placed 16,922,311 Shares to AEGP Australia for cash proceeds of A\$3,384,462 (**Tranche 1**); and
 - on closing of the FOA, Armour Energy will place a further 16,888,502 Shares to AEGP Australia (**Tranche 2**) for cash proceeds of A\$3,377,700;
 - (h) AEGP Australia will nominate a Director to be appointed to the Armour Energy Board upon settlement of Tranche 2;
 - (i) AEGP Australia will have control over the design and implementation of the work program while it holds a minimum working interest of 75%, with Armour Energy acting in an advisory capacity in relation to the Phase One work program;
 - (j) AEGP Australia may seek to second Armour Energy employees to support the effective execution of the work program;
 - (k) AEGP Australia can withdraw in the event that there is a “material adverse effect” prior to closing, being an event, occurrence, matter or circumstance which individually or when in aggregate, would result in:
 - AEGP Australia incurring additional costs, expenses or liabilities of more than US\$ 2 million; or
 - a reduction in the value of the existing permits, the permit applications, the pending permits (once granted) and associated assets (contracts, records and authorisations) by more than US\$ 2 million,

but excluding any effects of:

- movements in commodity prices or currency exchange rates;
- adverse weather events;
- operational risks associated with undertaking joint operations in accordance with Good Oilfield Practice;
- the results or outcomes of joint operations; or
- the availability of funding or financing for AEGP Australia.

-
- (l) once Phase One has ended, if Armour Energy is unable to obtain financing on fair market terms, AEGP will assist Armour Energy to obtain finance to fund its 25% share of all future capital expenditure to be spent on the Permits, up to a maximum amount of US\$130,000,000 (with such maximum depending on whether EPAs 177 and 178 are granted - if only one of those EPAs is granted, or if neither of those EPAs are granted, this maximum amount will be reduced to the relevant level of expenditure in Phase One).

9. Roma Shelf Assets Acquisition

9.1 GENERAL

On 2 September 2015, Armour Energy announced that it had executed agreements with Origin Energy Limited (**Origin**) to acquire petroleum resources, tenures, production and transportation infrastructure assets on the Roma Shelf in the Surat Basin in Queensland (**Roma Shelf Assets**).

More specifically, the tenements consisting of the Roma Shelf Assets are set out in the tables below.

The Roma Shelf Assets include the Kincora Gas and LPG Plant and Infrastructure, consisting of:

- 76 wells (of which 38 wells are proposed to be brought back on production);
- Gas, LPG and condensate processing and gas compression facilities at Kincora, south of Roma;
- a number of in field gas compression and stand alone oil gathering/processing facilities as well as inter-field pipelines;
- a dedicated pipeline from the Kincora Gas Plant to Wallumbilla connecting to the Roma to Brisbane Pipeline; and
- a gas storage facility with a capacity of 7.5 PJ, currently containing 2.3 PJ of sales gas.²²

The Roma Shelf Assets encompass independently verified 2C resources of 28.3 PJ of sales gas, 294,400 barrels of condensate, 62,000 tonnes of LPG and 152,800 barrels of oil.

9.2 CONDITIONS AND TIMING OF ROMA SHELF ASSETS ACQUISITION

There are nine sale and purchase agreements in respect of the Roma Shelf Assets Acquisition (please see the tables below in this regard) (**Roma Shelf Assets Agreements**).

The Roma Shelf Assets Agreements are conditional upon a number of conditions precedent being satisfied. The relevant conditions precedent are unique to each of the sale and purchase agreement (**SPA**) which make up the Roma Shelf Assets Agreements.

In aggregate, the relevant conditions precedents consist of:

- receiving notice from the Minister, that the Minister is likely to approve the transfer of registered interests in the relevant tenement to Armour Energy in accordance with the applicable petroleum legislation (**Indicative Approval**);
- confirmation from any relevant co-venturers holding a pre-emptive right under a joint operating agreement that:
 - the co-venturer waives its pre-emptive right; or

²² Source: Armour Energy ASX Announcement “Armour to Become Significant Producer via Roma Shelf Assets” released on ASX on 2 September 2015.

- the period the co-venturer has to exercise its pre-emptive right has expired
(whichever is earlier) (**Pre-emptive Rights Waiver**);
- Origin, Armour Energy and each relevant co-venturer entering into a deed of assignment and assumption in respect of each relevant joint operating agreement (**Deed of Assignment and Assumption**);
- the resignation of Origin as operator under each relevant joint operating agreement and the appointment of a successor operator for the joint operating agreement (**Change of Operator**); and
- any necessary consents to Origin’s transfer of its interest in the tenement (**Required Consent**).

The Roma Shelf Assets Agreements for the Roma Shelf Assets Acquisition have been drafted so that each SPA may complete individually (that is, they are not inter-conditional upon completion of each other).

The conditions precedent have now been satisfied for SPAs 1, 2, 3, 4, 5, 7, 8 and 9. Completion of SPA 7 occurred on 13 November 2015 and completion of SPAs 1, 2, 3, 4, 5, 8 and 9 occurred on 17 December 2015.

SPA 6 remains conditional. The conditions precedent to SPA 6 will be satisfied if and when Starzap Pty Ltd executes the resolution appointing Armour Energy as operator. The conditions end date for SPA 6 has been extended to 31 January 2016. Origin has reserved its rights to further extend the conditions end date if this conditions precedent is not satisfied by 31 January 2016.

A summary of the status of each SPA is set out below:

Agreement	Tenements	Conditions Precedent	Status of Conditions Precedent
SPA 1	PL 28, PL 69, PL 89, PL 320, PL 11W, PL 12W, PL 11 Snake Creek East Exclusion Zone, PL 21, PL 22, PL 27, PL 71, PL 264	<ul style="list-style-type: none"> • Pre-emptive Rights Waiver • Indicative Approval • Deed of Assignment and Assumption • Change of Operator • Required Consent from Australia Pacific LNG Pty Limited (APLNG) to the transfer of Origin’s interest in PL 21, PL 22, PL 27, PL 71 and PL 264 to Armour Energy 	All conditions satisfied – Completed on 17 December 2015
SPA 2	ATP 1190 (Weribone Pooling Area)	<ul style="list-style-type: none"> • Pre-emptive Rights Waiver • Deed of Assignment and Assumption • Change of Operator • Required Consent from APLNG 	All conditions satisfied – Completed on 17 December 2015

Agreement	Tenements	Conditions Precedent	Status of Conditions Precedent
SPA 3	PL 30	<ul style="list-style-type: none"> Pre-emptive Rights Waiver Indicative Approval Deed of Assignment and Assumption Change of Operator 	All conditions satisfied – Completed on 17 December 2015
SPA 4	PL 512 (formerly PL 74) PPL 22	<ul style="list-style-type: none"> Pre-emptive Rights Waiver Indicative Approval Deed of Assignment and Assumption Change of Operator 	All conditions satisfied – Completed on 17 December 2015
SPA 5	PL 71 (Exploration)	<ul style="list-style-type: none"> Pre-emptive Rights Waiver Deed of Assignment and Assumption Change of Operator Required Consent from APLNG to the transfer of Origin's interest in PL 71 (Exploration) 	All conditions satisfied – Completed on 17 December 2015
SPA 6 ²³	ATP 647 (Block 2656)	<ul style="list-style-type: none"> Pre-emptive Rights Waiver Deed of Assignment and Assumption Change of Operator 	Pre-emptive Rights Waiver condition satisfied and Deed of Assignment and Assumption condition satisfied
SPA 7 ²⁴	PL 14, PL 53, PL 70, PL 511, PL 227, PPL 3, PPL 20, PPL 63	<ul style="list-style-type: none"> Indicative Approval Required Consent from APLNG to the transfer of Origin's interests in PL 14 and PL 70 	All conditions satisfied – Completed on 13 November 2015

²³ Additional conditions for ATP 647 relevant to an earlier farm-in agreement and joint operating agreement have already been fulfilled.

²⁴ An additional condition for PPL3 (signing of PPL3 Management and Relocation Agreement) has already been fulfilled.

Agreement	Tenements	Conditions Precedent	Status of Conditions Precedent
SPA 8	ATP 754	<ul style="list-style-type: none"> Pre-emptive Rights Waiver Indicative Approval Deed of Assignment and Assumption Change of Operator 	All conditions satisfied – Completed on 17 December 2015
SPA 9	ATP 1190 (Bainbilla Block)	<ul style="list-style-type: none"> Pre-emptive Rights Waiver Deed of Assignment and Assumption 	All conditions satisfied – Completed on 17 December 2015

Below is a summary of the completion payments made (or to be made) in relation to the Roma Shelf Assets Acquisition. Stamp duty will also be payable in due course by Armour Energy in accordance with applicable duty legislation.

SPA 7

Item	Date	Payment
Completion of SPA 7	13 November 2015	\$5,089,738.47 (Payment complete)
Lodgement of financial assurance amounts with DEHP and petroleum securities with DNRM	23 November 2015	\$10,715,101.19* (Payment complete)
Transition period payments to Origin	Per month from 13 November 2015	\$300,000 (approximately)
Registration of title, end of transition period	Approximately January 2016	\$1,284.80

* Armour Energy lodged financial assurance of \$10,650,101.19 with DEHP and security of \$65,000 with DNRM on 23 November 2015, representing an additional \$25,000 above the environmental bonds required by SPA 7. This additional security was lodged as DNRM required Armour to provide security of \$35,000 for PL 511, the replacement tenure for PL 174, instead of replacing the \$10,000 for PL 174 currently held by DNRM.

SPA 1:

Item	Date	Payment
Completion of SPA 1	17 December 2015	\$1,681,008.75 ²⁵ (Payment complete)

²⁵ Inclusive of GST. This amount includes payments of \$34,613 and \$19,765 as adjustment amounts in relation to Origin's share of the joint venture cash balance.

Item	Date	Payment
Lodgement of financial assurance amounts with DEHP and petroleum securities with DNRM	By 31 December 2015	\$2,076,432.00
Transition period payments to Origin	Per month from 17 December 2015	\$80,000 (approximately)
Registration of title, end of transition period	Approximately February/March 2016	\$1,284.80

SPA 2:

Item	Date	Payment
Completion of SPA 2	17 December 2015	\$9,000 (Payment complete)

SPA 3:

Item	Date	Payment
Completion of SPA 3	17 December 2015	\$125,009.70 ²⁶ (Payment complete)
Lodgement of financial assurance amounts with DEHP and petroleum securities with DNRM	By 31 December 2015	\$10,000 (an additional \$318,166 is required to be paid on or about January/February 2016)
Transition period payments to Origin	Per month from 17 December 2015	\$20,000 (approximately)
Registration of title, end of transition period	Approximately February/March 2016	\$160.60

SPA 4:

Item	Date	Payment
Completion of SPA 4	17 December 2015	\$182,170.08 ²⁷ (Payment complete)
Lodgement of financial assurance amounts with DEHP and petroleum securities with DNRM	By 31 December 2015	\$10,000 (an additional \$269,058.13 is required to be paid on or about January/February 2016)

²⁶ Inclusive of GST. This amount includes payments of \$13,678 and \$37,614 as adjustment amounts in relation to Origin's share of the joint venture cash balance.

²⁷ Inclusive of GST. This includes payments of \$4,443 and \$1,814 as adjustment amounts in relation to Origin's share of the joint venture cash balance.

Item	Date	Payment
Transition period payments to Origin	Per month from 17 December 2015	Any costs incurred by the Vendor associated with: <ul style="list-style-type: none"> • rates or charges on the Licences and Permits; • rents due and payable under any Petroleum Authority; and • land tax
Registration of title, end of transition period	Approximately February/March 2016	\$321.20

SPA 5

Item	Date	Payment
Completion of SPA 5	17 December 2015	\$450,036.00 ²⁸ (Payment complete)
Lodgement of financial assurance amounts with DEHP and petroleum securities with DNRM	By 31 December 2015	N/A ²⁹

SPA 8

Item	Date	Payment
Completion of SPA 8	17 December 2015	\$454,156.00 ³⁰ (Payment complete)
Lodgement of financial assurance amounts with DEHP and petroleum securities with DNRM	By 31 December 2015	\$12,000
Transition period payments to Origin	Per month from 17 December 2015	Any costs incurred by the Vendor associated with: <ul style="list-style-type: none"> • rates or charges on the Licences and Permits; • rents due and payable under any Petroleum Authority; and • land tax

²⁸ Inclusive of GST. This includes payment of \$27 and \$9 as adjustment amounts in relation to Origin's share of the joint venture cash balance.

²⁹ The financial assurance required for PL 71 has been dealt with under SPA 1.

³⁰ Inclusive of GST. This includes a payment of \$4,156 as an adjustment amount in relation to Origin's share of the joint venture cash balance.

Item	Date	Payment
Registration of title, end of transition period	Approximately February/March 2016	\$160.60

SPA 9

Item	Date	Payment
Completion of SPA 9	17 December 2015	\$225,000.00 ³¹ (Payment complete)

9.3 ACQUISITION COSTS

Armour Energy must pay aggregate consideration of \$13 million (plus GST) to Origin for the Roma Shelf Assets. Of the \$13 million (plus GST), \$10 million (plus GST) less the 10% deposit already paid, is due up front on completion (in the respective proportions for each SPA as set out below in the table), with the balance of \$3 million (plus GST) paid in deferred consideration in \$1 million (plus GST) tranches annually over three years from when gas sales first commence.

As noted above, the Roma Shelf Assets Agreements have been drafted so that each sale and purchase agreement may complete individually. The consideration paid or required to be paid on completion of each sale and purchase agreement is as follows:

	Agreement	Purchase Price	Deposit	Amount payable on completion
	SPA 1	\$1,807,367.49	\$180,736.75	\$1,626,630.74**
	SPA 2	\$10,000.00	\$1,000.00	\$9,000.00**
	SPA 3	\$81,908.56	\$8,190.86	\$73,717.70**
	SPA 4	\$195,458.98	\$19,545.90	\$175,913.08**
	SPA 5	\$500,000.00	\$50,000.00	\$450,000.00**
	SPA 6	\$2,000,000.00	\$200,000.00	\$1,800,000.00
	SPA 7	\$5,655,264.97	\$565,526.50	\$5,089,738.47*
	SPA 8	\$ 500,000.00	\$50,000.00	\$450,000.00**
	SPA 9	\$250,000.00	\$25,000.00	\$225,000.00**
TOTAL		\$11,000,000.00	\$1,100,000.01	\$9,899,999.99

All amounts set out in the above table are exclusive of the various “adjustment amounts” noted in respect of each SPA above. These “adjustment amounts” relate to Origin’s share of the joint venture cash balance as at the date of completion of the relevant SPA.

*Paid on 13 November 2015.

**Paid on 17 December 2015.

³¹ Inclusive of GST.

The deferred consideration payments are to be made as follows:

- \$1,000,000 (plus GST) one year after the first gas sales from any of the Roma Shelf Assets (**First Gas**);
- \$1,000,000 (plus GST) two years after First Gas; and
- \$1,000,000 (plus GST) three years after First Gas.

Minimum work commitments

Based on the information currently available to Armour Energy, Armour Energy believes that approximately \$13.5 million is required under early work programs for the Roma Shelf Assets. This figure includes expenditures up to and including 2020. This figure is based on assumptions Armour Energy has made regarding DNRM's approval of various later development plans and the starting dates of particular commitments under these later development plans. Armour Energy has not confirmed what portion of these work program commitments have already been met in the period December 2014 to October 2015.

The costs of the earlier work programs and later development plans will be funded by existing cash, additional debt funding and free cash flows gathered from the operations.

Recommissioning and start-up costs

Due to the mothballing procedures and ongoing preservation plan that Origin instituted when the Kincora plant was shut down, Armour Energy expects to restart the plant within the next 6-12 months at an estimated cost of \$5 million.³²

9.4 FUNDING

9.4.1 BRIDGING FINANCE FACILITY

Armour Energy has secured a commitment from DGR to provide up to \$19 million of funding if required to complete the purchase of the Roma Shelf Assets Acquisition (**Facility**).³³

The Facility is initially unsecured, but with an obligation on Armour Energy to use its best endeavours to procure that the requisite approvals and waivers are obtained so as to allow the Facility to become secured. The interest rate is 22 per cent per annum but in the event the Facility becomes secured the rate reduces to 15 per cent per annum.

The term of the Facility is, on an unsecured basis, until 31 March 2016 (**Maturity Date**), but provision is made for Armour Energy to seek up to a 14 month extension if it is able to provide the following;

- (a) a first ranking security and mortgage over unsecured the Roma Shelf Assets and a fixed and floating charge over the assets of Armour Energy and subsidiaries and the assets of those subsidiaries;
- (b) the grant of a 0.5 per cent gross sales royalty over production from the Roma Shelf Assets;

³² Source: Armour Energy ASX Announcement "Armour to Become Significant Producer via Roma Shelf Assets" released on ASX on 2 September 2015.

³³ Source: Armour Energy ASX Announcement "Roma Shelf Funding Update" released on ASX on 11 September 2015, Armour Energy ASX Announcement "Execution of Binding Term Sheet with DGR Global" released on ASX on 30 September 2015, Armour Energy ASX Announcement "Clarification Statement re DGR Financing Facility" released on ASX on 30 September 2015, Armour Energy ASX Announcement "Amendment to Binding Term Sheet with DGR Global" released on ASX on 1 October 2015 and DGR Global Limited ASX Announcement "DGR Business Update" released on ASX on 28 October 2015 in compliance with ASIC Class Order [CO 13/523].

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- (c) the grant of 50,000,000 Options (which would be exercisable at 150% of Armour Energy's Share price immediately prior to grant, for a period of 2 years from the Maturity Date); and
 - (d) a right to convert no more than 50% of any part of the drawn part of the Facility to Share equity in Armour Energy at any time, at 90% of the preceding 10 day volume weighted average in accordance with the provisions of the Corporations Act and ASX Listing Rules but subject to Armour Energy having a right if conversion is requested to repay the Facility early.

The Facility is subject to various conditions precedent including obtainment of Ministerial approvals for the transfer of the Roma Shelf Assets to Armour Energy.

In the event that Armour Energy grants security rights to another financier, DGR shall be given a right to seek a first ranking security.

Armour Energy has also agreed not to enter into other debt facilities without DGR's consent.

DGR is entitled to require repayment of the Facility provided in the event of a change in control of Armour Energy during the term of the Facility.

As at 18 December 2015, the amount outstanding in respect of the Facility was A\$13,901,380.61 (inclusive of funds drawn down and interest).

9.4.2. ALTERNATIVE FUNDING

Further, Armour Energy advises that it has been actively pursuing a number of alternative funding options. A debt advisor has been appointed and expressions of interest have been received from multiple parties. Armour Energy is confident that it will be able to secure alternative funding well ahead of having to seek any extension of the Facility as outlined above.³⁴

³⁴ While Armour Energy is confident that it will be able to secure alternative funding well ahead of having to seek any extension of the Facility as outlined above, there can be no guarantee that this will occur.

10. INTERESTS OF ARMOUR ENERGY DIRECTORS

10.1 DIRECTORS' INTERESTS IN ARMOUR ENERGY SHARES AND OPTIONS

At the date of this Target's Statement, Directors and their Associates have a relevant interest in the following Shares and Options:

Director	Securities
Nicholas Mather*	3,619,855 Shares
William Robert Stubbs^	410,000 Shares
Roland Kingsbury Sleeman	60,000 Shares
Stephen Grant Bizzell	1,310,000 Shares

*Mr Nicholas Mather is also the managing director and a substantial shareholder of DGR Global Limited. The shareholding of DGR Global Limited in Armour Energy is set out in Section 6.6 of this Target's Statement.

^Mr William Robert Stubbs is a director of DGR Global Limited. The shareholding of DGR Global Limited in Armour Energy is set out in Section 6.6 of this Target's Statement.

Please see Armour Energy's 2015 Annual Report for further information.

10.2 RECENT DEALINGS IN ARMOUR ENERGY SHARES BY DIRECTORS

In the four months preceding the date of this Target's Statement, the following Directors (or their respective associates, as the case may be) have acquired or disposed of Armour Energy Shares:

Director	Date of transaction	Number of Shares	Consideration	Description
Nicholas Mather*	2 September 2015	900,000 Shares	\$111,550	On-market purchase

* The relevant Shares were acquired by Samuel Holdings Pty Ltd <Samuel Discretionary A/C>. Nicholas Mather is a Director of Armour Energy and a director of Samuel Holdings Pty Ltd. Nicholas Mather may be a beneficiary of the Samuel Discretionary Trust from time to time.

10.3 INTERESTS OR DEALINGS IN AEGP AUSTRALIA SECURITIES

None of the Directors or any of their respective associates have any relevant interest in the securities of AEGP Australia or any related body corporate of AEGP Australia, or have acquired or disposed of any securities of AEGP Australia or any related body corporate of AEGP Australia in the four months preceding the date of this Target's Statement.

10.4 NO PAYMENTS OR BENEFITS

No Director has agreed to receive, or is entitled to receive, any benefit in AEGP Australia or Armour Energy which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Armour Energy Shares

As a result of the Offer, no benefit has been or will be given to a person:

- (a) in connection with the retirement of a person from the board or management of Armour Energy or its Related Bodies Corporate; or
- (b) who holds, or has held a position on the board or management of Armour Energy or its Related Bodies Corporate, or a spouse, relative or Associate of such person, in connection with the transfer of the whole or any part of the undertaking or property of Armour Energy; or
- (c) which would require approval of Armour Energy Shareholders under section 200B of the Corporations Act.

10.5 NO AGREEMENT OR ARRANGEMENT WITH ANY DIRECTOR OF ARMOUR ENERGY

There is no agreement or arrangement made between any Director or any Related Body Corporate or Associate of any Director and any other person in connection with or conditional upon the outcome of the Offer.

10.6 INTERESTS HELD BY DIRECTORS OF ARMOUR ENERGY IN ANY CONTRACT ENTERED INTO BY AEGP AUSTRALIA

No Director, nor any Related Body Corporate or Associate of Armour Energy, has an interest in any contract entered into by AEGP Australia or any Director, Related Body Corporate or Associate of AEGP Australia.

11. OTHER INFORMATION MATERIAL TO THE MAKING OF A DECISION BY A HOLDER OF ARMOUR ENERGY SHARES

11.1 BID IMPLEMENTATION AGREEMENT

As announced on 27 October 2015, Armour Energy has entered into the Bid Implementation Agreement with AEGP Australia.

Key terms of the Bid Implementation Agreement include the following:

- Armour Energy Directors unanimously recommending that Armour Energy Shareholders accept the Offer in the absence of a Superior Proposal;
- Circumstances in which Armour Energy or AEGP Australia may terminate the Bid Implementation Agreement; and
- standard exclusivity arrangements in respect of the Offer.

The Bid Implementation Agreement is set out in full in Armour Energy's ASX announcement dated 27 October 2015 entitled "Armour to Support American Energy Proposals".

11.2 NOTICE OF STATUS OF CONDITIONS

As required by section 630 of the Corporations Act, AEGP Australia will give a notice of status of conditions (the **Conditions Notice**) to the ASX and Armour Energy not more than 14 days and not less than 7 days before the end of the Offer Period. In Section 8.11 of the Bidder's Statement, AEGP Australia has set the date to give the Conditions Notice as 4 January 2015 (subject to any variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended).

AEGP Australia is required to set out in its Conditions Notice:

- whether the Offer is free of any or all of the Conditions; and
- whether, so far as AEGP Australia knows, the Conditions have been fulfilled on the date the Conditions Notice is given; and
- AEGP Australia's voting power in Armour Energy (including voting power acquired as a result of acceptances received under the Offer).

If a Condition is fulfilled (so that AEGP Australia's Offer becomes free of that Condition) during the Offer Period but before the date on which the Conditions Notice is required to be given, AEGP Australia must, as soon as practicable, give the ASX and Armour Energy a notice that states that the particular Condition has been fulfilled.

11.3 OFFER PERIOD

AEGP Australia's Offer is open for acceptance from 11 December 2015 until 7.00pm (Sydney time) on 12 January 2016, unless extended (AEGP Australia have stated that the Offer will not be extended beyond the Closing Date unless automatically extended in accordance with section 624(2)(a) of the Corporations Act) or withdrawn in accordance with the Corporations Act.

12. ADDITIONAL INFORMATION

12.1 ISSUED CAPITAL

As at the date of this Target's Statement, Armour Energy's issued capital consisted of:

- (a) 321,558,077 Armour Energy Shares; and
- (b) 20,480,000 Unlisted Armour Energy Options, as follows:

Options	Exercise Price	Expiry Date
2,400,000	\$0.10	6 February 2016
2,400,000	\$0.20	6 February 2017
3,110,000	\$0.26	25 February 2017
1,200,000	\$0.30	6 February 2018
2,500,000	\$0.50	24 July 2018
2,500,000	\$0.75	24 July 2018
2,500,000	\$1.00	24 July 2018
1,250,000	\$0.50	26 August 2018
1,250,000	\$0.75	26 August 2018
1,250,000	\$1.00	26 August 2018

12.2 NOTICE OF THE BIDDER'S VOTING POWER

On 5 November 2015, AEGP Australia held 16,922,311 Armour Energy Shares equivalent to 5.26% voting power in Armour Energy Shares. Additionally, please see Section 7.2 of this Target's Statement for further information as to the maximum voting power which AEGP Australia may obtain pursuant to the Offer and the issue of securities under the Definitive Agreements.

The Bidder is required to notify the ASX and Armour Energy before 9.30am (Sydney time) on each trading day during the Offer Period where there is an increase in AEGP Australia's relevant interest representing at least 1% in Armour Energy's issued capital.

12.3 DISCLOSING ENTITY

Armour Energy is a disclosing entity and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au or Armour Energy's website at <http://www.armourenergy.com.au>.

Copies of the documents lodged with ASIC in relation to Armour Energy may be obtained from, or inspected at, an ASIC office.

Armour Energy Shareholders may obtain a copy of:

- the 2015 Annual Report of Armour Energy;
- the interim financial statements of Armour Energy for the full-year ended 30 June 2015;
- Armour Energy's constitution; and
- any document lodged by Armour Energy with the ASX between the release of the 2015 Annual Report to the ASX and the date of this Target's Statement,

free of charge upon request by contacting Armour Energy or on the ASX website at www.asx.com.au.

12.4 NO OTHER MATERIAL INFORMATION

This Target's Statement is required to include all information that Shareholders and their advisors would reasonably expect to receive to make an informed assessment whether to accept the Offer, but only to the extent that:

- it is reasonable for the Shareholders and their advisors to expect to receive that information in the Target's Statement; and
- the information is known to the Directors.

The Directors are of the opinion that the information that the Shareholders and their professional advisors would reasonably require to make an informed assessment whether to accept or reject the Offer are contained within:

- this Target's Statement;
- the Bidder's Statement (to the extent that the information contained in that document is not inconsistent with the Target's Statement); and
- the annual and other financial reports, releases, announcements and documents lodged by Armour Energy with ASX and/or ASIC.

In preparing this Target's Statement, the Directors have assumed that the information contained in the Bidder's Statement is accurate. However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained within it.

In deciding what information should be contained in this Target's Statement, the Directors have had regard to:

- the nature of the Armour Energy Shares;
- the matters that Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisors of Shareholders; and
- the time available to Armour Energy to prepare the Target's Statement.

13. CONSENTS

13.1 DIRECTORS

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

13.2 THIRD PARTIES

HopgoodGanim Lawyers has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as legal advisor to Armour Energy in respect of the Offer in the form and context in which it is named. HopgoodGanim Lawyers does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this 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 Target's Statement, other than a reference to its name.

Morgans Corporate Limited has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as financial advisor to Armour Energy in respect of the 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 Target's Statement or any statement on which a statement in this 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 Target's Statement, other than a reference to its name.

Link Market Services Limited has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Share Registry to Armour Energy in respect of the Offer in the form and context in which it is named. Link Market Services Limited does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, Link Market Services Limited expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

DGR Global Limited ACN 052 354 837 has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement in the form and context in which it is named. DGR Global Limited does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, DGR Global Limited expressly disclaims and takes no responsibility for any part of this Target's Statement other than a reference to its name.

13.3 PUBLICLY AVAILABLE INFORMATION AND ASIC MODIFICATIONS

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

Armour Energy has also relied on the modification to section 638(5) of the Corporations Act set out in ASIC Class Order [CO 13/521] to include, without obtaining specific consent, statements which are made in, or based on statements made in, any documents announced on the company announcements platform of ASX by Lakes Oil, WestSide and American Energy Partners, LP on the following dates:

Entity	Announcement	Date of Announcement
Lakes Oil NL	Quarterly Activities and Cash Flow Report - June 2015	31 July 2015
Lakes Oil NL	Change in substantial holding from AJQ	12 December 2014
WestSide Corporation Limited	Off-Market Takeover Bid - Bidder's Statement	31 August 2015
WestSide Corporation Limited	Supplementary Bidder's Statement	14 September 2015
WestSide Corporation Limited	Notice of despatch of Bidder's Statement	22 September 2015
WestSide Corporation Limited	Variation of Takeover Bid by Westside Corporation Limited	15 October 2015
WestSide Corporation Limited	Supplementary Bidders Statement	19 October 2015
American Energy Partners LP	Proportional takeover offer by AEP at \$0.25 per share	27 October 2015
WestSide Corporation Limited	Withdrawal of WestSide's Offer	5 November 2015

No person who has made any of these statements has consented to the statement being included in or accompanying this Target's Statement in the form and context in which it is included.

Armour Energy will, on request and during the bid period, provide a copy of those documents, or the relevant parts of those documents containing the statement, free of charge and within two business days of the request to any Armour Energy Shareholder. To obtain a copy of any of those documents, or the relevant parts of those documents containing the statements, please call the Offer Information Line on 1300 794 935 for callers within Australia or on +61 1300 794 935 for callers outside Australia. The information line will be open from Monday to Friday between 8.30am to 5.30pm (Sydney time).

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

This Target's Statement contains information from public official documents in accordance with ASIC Class Order [CO 13/523].

Armour Energy has relied on ASIC modifications of section 618 of the Corporations Act as set out in ASIC Class Order [CO 13/521]. The effect of the modifications is set out in Section 7 of this Target's Statement.

Also, ASIC has published various class orders providing for modifications and exemptions that generally apply to all persons including Armour Energy, in relation to the operation of Chapter 6 of the Corporations Act.

14. INTERPRETATION

14.1 IN THIS TARGET'S STATEMENT UNLESS THE CONTRARY INTENTION APPEARS THE FOLLOWING WORDS HAVE THE FOLLOWING MEANINGS:

1C has the meaning given to the expression '1C' in the SPE-PRMS;

2C has the meaning given to the expression '2C' in the SPE-PRMS;

3C has the meaning given to the expression '3C' in the SPE-PRMS;

1P Reserves or **1P** has the meaning given to the expression '1P' in the SPE-PRMS;

2P Reserves or **2P** has the meaning given to the expression '2P' in the SPE-PRMS;

3P Reserves or **3P** has the meaning given to the expression '3P' in the SPE-PRMS;

Acceptance Form means the form of acceptance and transfer accompanying the Offer or any replacement or substitute acceptance form provided by or on behalf of AEGP Australia (and includes, to avoid doubt, both the Issuer Acceptance Form and the CHES Acceptance Form);

AEGP or **AEGP Australia** or **Bidder** means AEGP Australia Pty Ltd ACN 605 683 798;

AEGP Options means the Options to be issued to AEGP pursuant to the Option Deed;

AEP or **American Energy** means American Energy Partners, LP;

AEP Northern Territory Farm-Out means the proposal set out in the Definitive Agreements entered into with AEP announced on 11 September 2015;

Announcement Date means 1 December 2015;

Armour Energy or **Target** or **Company** means Armour Energy Limited ABN 60 141 198 414, a company incorporated in Australia;

Armour Energy Board or **Board** means the directors of Armour Energy acting collectively as its board of directors;

Armour Energy Group or **Target Group** means Armour Energy and each of its Related Bodies Corporate;

Armour Energy Option or **Option** or **Unlisted Armour Energy Option** means the unlisted options to acquire Armour Energy Shares;

Armour Energy Optionholder or **Optionholder** means a holder of Armour Energy Options;

Armour Energy Shareholder or **Shareholder** means a holder of Armour Energy Shares;

Armour Energy Shares or **Shares** or **Target Shares** means issued fully paid ordinary shares in the capital of Armour Energy;

ASIC means the Australian Securities and Investments Commission;

Associate has the meaning given to that term in the Corporations Act;

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it;

ASX Settlement Operating Rules means the operating rules of ASX Settlement Pty Limited as amended and replaced from time to time;

ASX Settlement Participant means a participant under the ASX Settlement Operating Rules;

ATP means an application for authority to prospect granted under the *Petroleum and Gas (production and safety) Act 2004* (Queensland);

Best Estimate has the meaning set out in the SPE-PRMS;

Bid Implementation Agreement or **BIA** means the bid implementation agreement entered into between Armour Energy and American Energy on 27 October 2015;

Bidder Group means Bidder and each of its Related Bodies Corporate;

Bidder's Statement means that Bidder's Statement dated 1 December 2015 given by AEGP Australia to Armour Energy on 1 December 2015 in accordance with the provisions of Part 6.5 of the Corporations Act;

Broker means a person who is a share broker and a participant in CHES;

Bscf means billion standard cubic feet of gas;

Business Day means Monday to Friday inclusive except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day the ASX declares is not a business day;

CGT means Australian Capital Gains Tax;

CHES means the Clearing House Electronic Sub-registry System operated by ASX which provides for the electronic transfer, settlement and registration of securities;

CHES Holding means a holding of Armour Energy Shares on the CHES Sub-register of Armour Energy;

CHES Sub-register has the meaning given in the ASX Settlement Operating Rules;

Closing Date means 7.00pm (Sydney time) on 12 January 2016 (unless extended or withdrawn);

Conditions mean the conditions of the Offer summarised in Section 3.4 of this Target's Statement and set out in Section 8.8 of the Bidder's Statement;

Contingent Resources has the meaning given to the expression 'Contingent Resources' in the SPE-PRMS;

Controlling Participant means the Broker or ASX Settlement Participant who is designated as the controlling participant for shares in a CHES Holding in accordance with the ASX Settlement Operating Rules;

Conventional Resources has the meaning given to that term in the SPE-PRMS;

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

Definitive Agreements means the FOA, OA, Option Deed and Share Subscription Agreement;

DGR Financing Proposal means the binding term sheet executed by the Target and DGR Global Limited as announced by the Target to the ASX on 30 September 2015 (as amended from time to time);

Directors mean the directors of Armour Energy (unless the context requires otherwise);

DNRM means the Department of Natural Resources and Mines in Queensland;

EGM means the extraordinary general meeting of Armour Energy held on 30 October 2015 in relation to the AEP Northern Territory Farm-Out;

Encumbrances mean an interest or power:

- (a) reserved in or over an interest in an asset including a retention of title or non-statutory royalties or other payments tied to production; or
- (b) created or otherwise arising in or over an interest in an asset under a mortgage, charge, bill of sale, lien, pledge, trust or power,

by way of security for the payment of a debt, another monetary obligation or the performance of another obligation, and includes any Security Interest (as defined in the PPSA) and an agreement to grant, create or allow to exist any of the above, but excludes any native title agreements entered into which provides for the consent to the grant of the Permits under or in relation to the Native Title Act or the ALRA;

EP means petroleum exploration permit issued under the Petroleum Act (NT);

EP Act means the *Environmental Protection Act (1994)* (Qld);

EP Applications means EP(A)s 172, 173, 177, 178, 179, 193, 194, 195 and 196.

EPA or EP(A) means petroleum exploration permit application under the Petroleum Act (NT);

EPM means Mining Exploration Permit(s);

Facility has the meaning given to that term in Section 9.4 of this Target's Statement;

FOA means the Farm-Out Agreement between AEGP Australia Pty Ltd and Armour Energy;

GJ means Gigajoule;

Good Oilfield Practice has the meaning given in the Petroleum Act (NT);

Governmental Agency means a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under a statute or otherwise discharging substantially public or regulatory functions, and in particular, ASX and ASIC;

Granted EPs means EPs 171, 174, 176, 190, 191 and 192;

GST means Goods and Services Tax;

Hydraulic Fracturing or Hydraulic Stimulation means the practise of pumping liquids down a well into subsurface rock units under pressures that are high enough to fracture rock;

IRR means internal rate of return;

Issuer Sponsored Holding means a holding of Armour Energy Shares on the Issuer Sponsored subregister of Armour Energy;

Issuer Sponsored Sub-register has the meaning given in the ASX Settlement Operating Rules;

Lakes Oil means Lakes Oil N.L. ACN 004 247 214 (LKO.ASX);

Lakes Farm-in Tenements means PEP 166, PEP 169 and PRL2, in which Armour Energy has (or in the case of PRL 2, may earn) an interest, respectively of 25%, 51% and 15% (please see footnote 15 for further context in relation to PRL2);

Liquids means liquid compounds such as propanes, butanes, pentanes and heavier products extracted from the gas flowstream;

Listing Rules or ASX Listing Rules means the Listing Rules of ASX;

LNG means liquefied natural gas;

LOI means the letter of intent in respect of the AEP Northern Territory Farm-Out announced on 20 August 2015;

Minister means the Minister for the Department of Natural Resources and Mines in Queensland;

Moratorium means the hold put on new exploration licences and tenements for onshore gas, hydraulic fracturing and exploration drilling for onshore gas exploration in Victoria by the Victorian Coalition Government;

Native Title Act means the *Native Title Act 1993* (Cth);

Northern Territory Tenements means the Permits;

NTDME means the Northern Territory Department of Mines and Energy or such other Government Agency as is responsible for administration of the Petroleum Act (NT) from time to time;

OA means the Operating Agreement between AEGP Australia Pty Ltd and Armour Energy;

Offer means each offer by Bidder to acquire 13.62% of each Target Shareholder's Target Shares under the Bid and **Offers** means all such offers;

Offer Period means the period commencing on 11 December 2015 and ending on 7.00pm (Sydney time) on 12 January 2016 or such later date to which the Offer has been extended;

Offer Price means the consideration offered by AEGP Australia of \$0.25 for each Armour Energy Share the subject of the Offer;

Offer Terms means the formal terms of the Offer set out in Section 8 of the Bidder's Statement;

Option Deed means the Armour Energy Option Deed between AEGP Australia Pty Ltd and Armour Energy;

PEP means a Petroleum exploration permit issued under the Petroleum Act (Vic);

Permits means the Granted EPs and the EP Applications;

Petroleum has the meaning given to the expression 'Petroleum' in the SPE-PRMS;

Petroleum Legislation means *Petroleum Act 1923* (Qld) or the *Petroleum and Gas (Production and Safety) Act 2004* (Qld);

Petroleum Act (NT) means the *Petroleum Act 1984* (NT);

Petroleum Act (Vic) means the *Petroleum Act 1998* (Vic);

Phase One has the meaning given to that term in Section 8 of this Target's Statement;

PJ means Petajoule (10^{15} J);

PL means Petroleum Lease granted under the Petroleum Legislation;

PPSA means the *Personal Property Securities Act 2009* (Cth);

PRL means Petroleum retention lease issued under the Petroleum Act (Vic);

Prescribed Occurrence means the occurrence of any of the following where that occurrence was not consented to by Bidder and is not the result of Target taking or procuring any action required to be taken or procured by it under this agreement or contemplated by the Shareholder Approval:

- (a) Target converts all or any of its shares into a larger or small number of shares under section 254H of the Corporations Act;
- (b) Target resolves to reduce its share capital in any way;
- (c) Target enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;
- (d) Target issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) Target issues, or agrees to issue, convertible notes;
- (f) Target disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Target grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property other than pursuant to the Roma Shelf Assets Financing;
- (h) Target resolves to be wound up;
- (i) a liquidator or provisional liquidator of Target is appointed;

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- (j) a court makes an order for the winding up of Target;
 - (k) an administrator of Target is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (l) Target executes a deed of company arrangement; or
 - (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Target;

Prospective Resources has the meaning given to the expression 'Prospective Resources' in the SPE-PRMS;

Recoverable Resources has the meaning given to the expression 'Prospective Resources' in the SPE-PRMS;

Register Date means 7:00pm Sydney time on 1 December 2015;

Related Body Corporate has the meaning given in the Corporations Act;

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act;

Reserves has the meaning given to the expression 'Reserves' in the SPE-PRMS;

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from Armour Energy Shares directly or indirectly after the date of the Bidder's Statement, including but not limited to all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by Armour Energy or an Armour Energy Subsidiary;

Roma Shelf Assets the petroleum resources, tenures, production and transportation infrastructure assets on the Roma Shelf in the Surat Basin in Queensland acquired (or to be acquired) pursuant to the agreements dated 2 September 2015 with Origin Energy Limited;

Roma Shelf Assets Acquisition means the proposed agreement to acquire the oil and gas interests of Origin Energy Limited at Roma in the Surat Basin, Queensland, for \$13 million (plus GST) and as further described in Section 9 of this Target's Statement;

Roma Shelf Assets Agreements has the meaning given to that term in Section 9 of this Target's Statement;

Roma Shelf Assets Financing means the financing required by the Target to acquire the Roma Shelf Assets, and includes, without limitation, the DGR Financing Proposal;

Shale Gas means natural gas that is trapped within shale formations;

Shareholder Approval means the approval obtained by Shareholders at the EGM;

Share Subscription Agreement means the Armour Energy Share Subscription Agreement between AEGP Australia and Armour Energy dated 11 September 2015.

SPE-PRMS means the document titled 'Petroleum Resources Management System' published by the Society of Petroleum Engineers/World Petroleum Council/American Association of Petroleum Geologists/ Society of Petroleum Evaluation Engineers (SPE/WPCIAAPGISPEE) in March, 2007;

Subsidiary has the meaning given to that term in the Corporations Act;

Superior Proposal means a transaction or proposed transaction which, if completed substantially in accordance with its terms, would mean a person (other than Bidder or one of its Related Bodies Corporate) would become the holder of:

- (a) more than 50% of the Target Shares; or
- (b) the whole or substantially the whole of the business, assets and undertakings of the Target Group,

provided that a majority of the Target Directors determine, acting in good faith and in order to satisfy what the Target Directors consider to be their fiduciary and statutory duties (after having taken advice from Target's financial and legal advisors), that the transaction or proposed transaction is capable of being valued and completed and taking into account all aspects of the transaction or proposed transaction (including its conditions precedent and the person or persons making it) and is superior overall for Target Shareholders as compared to the Offer;

Takeovers Panel means the Takeovers Panel constituted under the Corporations Act;

Target's Statement means this document;

TJ/d means Terajoules per day;

Tscf means trillion standard cubic feet of gas;

Unconventional Resources has the meaning given to that term in the SPE-PRMS;

US\$/bbl means US\$ per barrel;

WestSide means WestSide Corporation Limited ABN 74 117 145 516, a Subsidiary of Landbridge Group Co., Ltd;

WestSide Bidder's Statement means the Replacement Bidder's Statement dated 14 September 2015 given by WestSide to Armour Energy on 14 September 2015 in accordance with the provisions of Part 6.5 of the Corporations Act;

WestSide Offer means the offer referred to in the WestSide Bidder's Statement and made by WestSide to the holders of Armour Energy Shares to acquire all or any of their Armour Energy Shares;

WestSide Response First Supplementary Target's Statement means the First Supplementary Target's Statement to the WestSide Revised Offer dated 26 October 2015;

WestSide Response Second Supplementary Target's Statement means the Second Supplementary Target's Statement to the WestSide Revised Offer dated 27 October 2015;

WestSide Response Target's Statement means the Armour Energy Target's Statement dated 7 October 2015 in response to the WestSide Offer;

WestSide Revised Offer has the meaning given to that term in Section 3.1 of this Target's Statement.

14.2 IN THIS TARGET'S STATEMENT, UNLESS THE CONTRARY INTENTION APPEARS:

- (a) the singular includes the plural and vice versa;
- (b) the masculine gender includes the feminine and (where a corporation is or may be concerned) the neuter;
- (c) words and expressions defined in the Corporations Act have the same meanings;
- (d) headings are for ease of reference only and do not affect the meaning or interpretation;
and
- (e) all currency and dollar amounts are denominated in Australian dollars unless noted otherwise.

Dated 24 December 2015.

Signed for and on behalf of Armour Energy Limited ACN 141 198 414 by Nicholas Mather who is authorised so to sign pursuant to a resolution passed at a meeting of the Armour Energy Directors.



Nicholas Mather
Executive Chairman

CORPORATE DIRECTORY

Directors	Nicholas Mather - Executive Chairman William Robert Stubbs - Non-Executive Director Roland Kingsbury Sleeman - Non-Executive Director Stephen Grant Bizzell - Non-Executive Director
Registered Office	Level 27, 111 Eagle Street Brisbane QLD 4000 Telephone: + 61 7 3303 0620 Facsimile: + 61 7 3303 0681
Website	http://www.armourenergy.com.au
Share Registry	Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000
Stock Exchange Listing	Australian Securities Exchange ASX Code: AJQ
Solicitors	HopgoodGanim Lawyers Level 8, Waterfront Place 1 Eagle Street Brisbane QLD 4000
Lead Financial Advisor	Morgans Corporate Limited Level 29, Riverside Centre 123 Eagle Street Brisbane QLD 4000