



Armour Energy Limited

27 October 2015

Armour Energy Announces its Support for the Farm-out Transaction With American Energy, Unanimously Recommends Shareholders Vote IN FAVOUR of the American Energy Farm-out Transaction at the EGM on 30 October 2015, and ACCEPT the Proportional Take-over Bid From American Energy, Subject to no Superior Proposal Emerging.

Armour Energy Limited (**Armour**) today announces that it has entered into a Bid Implementation Agreement (**AEP BIA**) with American Energy Partners LP (**American Energy**) for a recommended proportional takeover offer by American Energy to acquire 13.62% of each Armour Shareholders Shares at A\$0.25 per Share (**Proportional Bid**).

The Board of Armour unanimously recommends that shareholders:

1. **ACCEPT American Energy's Proportional Bid; and**
2. **VOTE IN FAVOUR of the resolutions at the upcoming extraordinary general meeting (EGM) convened for 30 October 2015 in respect of the farm-out of Armour's McArthur Basin oil and gas tenements in the Northern Territory and the issue of in aggregate 33,810,813 Shares and 24,000,000 Options to American Energy (AEP Northern Territory Farm-Out),**

in the absence of a superior proposal.

The AEP BIA contains customary exclusivity provisions (no talk, no shop, no due diligence and a notification of approaches provision) and warranties for an agreement of this nature. The AEP BIA is annexed to this announcement.

Armour understands that DGR Global Limited (**DGR**) has irrevocably agreed (subject to no regulatory action to the contrary) with American Energy to vote 60,927,153 of its Armour shares amounting to 19.99% of Armour's issued shares in favour of the resolutions to approve the AEP Northern Territory Farm-Out at the EGM to be held on 30 October, 2015.

The Board of Armour has determined (having taken advice from its advisers) that the Proportional Bid when combined with the AEP Northern Territory Farm-out (**Combined Proposal**) is superior to WestSide's revised offer of A\$0.20 per Share (and associated pro rata dividend in specie of Armour's shares in Lakes Oil NL to Armour shareholders should the Offer become unconditional) (**Revised Offer**).

The Board now unanimously recommend that Shareholders **REJECT** WestSide's Revised Offer.



The Board of Armour believes that the Combined Proposal provides Shareholders with the following advantages:

1. Shareholders will be able to, should they choose, dispose of 13.62% of their Shareholding in Armour for an attractive A\$0.25 per Share (DGR Global Limited, Armour's largest Shareholder has advised that it will not accept the Proportional Bid given its confidence in the long term value opportunities in Armour);
2. Shareholders will retain exposure to Armour's projects and be able to participate in the exploration upside potential in Armour's Northern Territory tenements; and
3. Armour will acquire significant benefits under the AEP Northern Territory Farm-Out, which include (and are set out in full in Armour's Target's Statement of 7 October 2015):
 - the maximum cash proceeds to Armour of A\$39.5 million;¹ and
 - the implied value of Armour's 25% retained interest in the Northern Territory Tenements of A\$61.42 million under the AEP Northern Territory Farm-Out.²

The independent expert report prepared by BDO Corporate Finance (Qld) Limited (**BDO**) in relation to the AEP Northern Territory Farm-Out concluded that it is both fair and reasonable to Armour Shareholders not associated with the transaction.

The Board considers that the Combined Proposal is superior to the increased WestSide Revised Offer (even when taking into account the pro rata dividend in specie of Armour's shares in Lakes Oil NL to Armour shareholders should the Revised Offer become unconditional) and represents better long term value for Armour shareholders.

In addition, Armour welcomes the American Energy proposal to make a proportional takeover offer for 13.62% of each Armour shareholders shares at 25 cents a share following the EGM and subject to the passing of each resolution at the Armour EGM. Following the completion of the Proportional Bid, American Energy will hold up to 14.99% of Armour's shares,³ thereby becoming a strategic investor in Armour in addition to holding its interest as a partner in the McArthur Basin Project.

On closing of the AEP Northern Territory Farm-Out (which is subject to, amongst other matters, FIRB approval), American Energy will be issued a further 16,888,502 Shares at 20 cents per Share, bringing its

¹ Comprising of A\$6.7 million from the placement of Shares at A\$0.20 to American Energy, US\$13 million from American Energy on closing of the Farm-Out Agreement, US\$3 million upon grant, transfer and registration in the name of American Energy 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 EP 191 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 American Energy and registered (this is a milestone based payment, which may or may not eventuate) (the cash position assumes an AUD:USD conversion rate of 0.70)

² Based on the maximum US\$130 million expenditure by American Energy to earn a 75% interest in the Northern Territory Tenements and an AUD:USD conversion rate of 0.70.

³ This number is calculated based on American Energy's initial holding of 5.26% of Armour (16,922,311 Shares) following the issue of the Tranche 1 Shares and based on the maximum potential acceptance of the Proportional Bid of 31,279,244 (being the maximum potential acceptances which may be received under the Proportional Bid taking into account DGR not accepting the bid). This number assumes no further Shares are issued or any existing options exercised.



total maximum shareholding in Armour to 65,090,057 shares,⁴ or 19.23% of an enlarged share capital of 338,446,579.

Commenting on the Combined Proposal from AEP, Armour's Chairman, Nicholas Mather, stated: "The AEP Combined Proposal provides long term upside potential for participation in a substantial resource discovery and if successful, potential petroleum developments in the Macarthur Basin. We view the Macarthur Basin as having significant potential to define a large scale oil and gas province. There are similarities to huge oil fields in Siberia, China and Oman in rocks of similar ages and very favourable comparisons to the prolific Marcellus and Utica Shale plays in the US where AEP's management have been very experienced operators. AEP's best in class development and production techniques and the focus on these activities in our project areas can provide long term benefits to Armour and its shareholders.

The low point in commodity and resource equities cycles, especially oil and gas, the massive investment in onshore LNG infrastructure to the tune of over \$80 billion in NT and Queensland, the size of this opportunity and the mounting technical endorsement for the hydrocarbon potential in the Macarthur Basin supports our long term rationale.

In our view the merits of the Combined Proposal overcome the short term benefits of the Westside Revised Offer and potential dividend in specie of Lakes Oil shares. We do not consider that the Westside Revised Offer and potential dividend in specie of Lakes Oil shares acknowledges the considerable upside in the Roma Shelf project or Armour's Victorian and other project interests, and the Lakes Oil shares, nor the value of these assets to Westside."

Advisers

Armour is being advised by Morgans Corporate Limited (financial adviser) and HopgoodGanim (legal adviser).

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

On behalf of the board

Karl Schlobohm
Company Secretary

For further information contact:

Alasdair Jeffrey
Executive Director
Rowland
0404 926 768

John Polinelli
Director, Corporate Advisory
Morgans Corporate Limited
+61 7 3334 4888

⁴ Calculated based on the number of Shares issued pursuant to Tranche 1 of 16,922,311 Shares, the maximum potential acceptance of the Proportional Bid of 31,279,244 and the number of Shares issued pursuant to Tranche 2 of 16,888,502 Shares. This number assumes no further Shares are issued or any existing options exercised.



About Armour Energy

Armour Energy Limited (ASX:AJQ) is an ASX listed junior exploration and production company focused on the discovery and development of world class gas and associated liquids resources in an extensive and recently recognised hydrocarbon province in northern Australia. Its exploration tenements in Northern Australia cover an area of approximately 139,000km² or 34 million acres.

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

Armour is focusing on the exploration of the McArthur, Isa Superbasin 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.

Since IPO in 2012, Armour has spent approximately \$60 million on a small proportion of its acreage in Northern Australia.

In September 2015 Armour agreed to acquire the Roma Self project in the Surat Basin, Queensland for \$13 million from Origin Energy. The assets are strategically located connected to the Wallumbilla gas hub including valuable gas storage capacity. On completion of the acquisition, the assets will offer Armour near-term production and cash flow opportunities through production of gas, oil and liquids, representing a potentially key source of funding for Armour Energy's overall growth strategy.

Further information regarding Armour Energy Limited is available on Armour's website at www.armourenergy.com.au



Annexure A – Bid Implementation Agreement

Takeover bid implementation agreement

AEGP Australia Pty Ltd
Armour Energy Limited

Contents

	Page	
1	Defined terms and interpretation	1
	1.1 Definitions in the Dictionary	1
	1.2 Interpretation	1
2	Agreed public announcements	1
3	Facilitating the Offer	2
	3.1 Agreement to make the Bid	2
	3.2 Co-operation	2
	3.3 Preparing Takeover Documents	2
	3.4 Dispatch of Bidder's Statement and Target's Statement	2
	3.5 Access to information	3
	3.6 Conditions	3
4	Support for Offer and Farm-out Resolutions	3
	4.1 Unanimous recommendations by the Target Directors	3
	4.2 Promotion of Offer	4
5	Termination rights	4
	5.1 Termination events	4
	5.2 Effect of termination	6
6	Public announcements	6
7	Exclusivity	6
	7.1 No continuing discussions	6
	7.2 No shop	6
	7.3 No talk	7
	7.4 No due diligence	7
	7.5 Notification obligation	7
	7.6 Fiduciary exception	8
8	Conduct of business	8
	8.1 Conduct of business	8
9	Representations and warranties	8

9.1	Target Warranties	8
9.2	Bidder Warranties	9
10	GST	10
11	Notices	11
12	General	12
12.1	Cumulative rights	12
12.2	Waiver and variation	12
12.3	Approvals and consents	12
12.4	Specific performance	12
12.5	Effect of agreement	12
12.6	Severability	12
12.7	Mutual further assurances	13
12.8	Counterparts	13
12.9	Governing law and jurisdiction	13
12.10	Assignment	13
Schedule 1	— Dictionary	14
Schedule 2	– Agreed Bid Terms	20
	Execution page	21

Date:

Parties

- 1 **AEGP Australia Pty Ltd** ACN 605 683 798 of C/- Gilbert + Tobin, Level 37, 2 Park Street, Sydney, New South Wales, 2000 (**Bidder**)
 - 2 **Armour Energy Limited** ACN 141 198 414 of Level 27, 111 Eagle Street, Brisbane QLD 4000 (**Target**)
-

Background

- A Bidder proposes to make the Bid and the Target Directors propose to recommend that Target Shareholders accept the Offer in respect of their Target Shares subject only to the qualification that no Superior Proposal emerges.
- B Bidder and Target have agreed to certain matters in relation to the conduct of the Bid as set out in this agreement.

The parties agree

1 Defined terms and interpretation

1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the dictionary in Schedule 1 (**Dictionary**), has the meaning given to it in the Dictionary;
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act; and
- (c) which is defined in the GST Law, but is not defined in the Dictionary or the Corporations Act, has the meaning given to it in the GST Law in clauses concerning GST.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this agreement.

2 Agreed public announcements

Immediately after the execution of this agreement (and in any case before 9am Brisbane time on 27 October 2015):

- (a) Bidder must issue the Bidder Public Announcement to ASX; and
- (b) Target must issue the Target Public Announcement to ASX.

3 Facilitating the Offer

3.1 Agreement to make the Bid

- (a) Subject to the Target obtaining the approval of Target Shareholders to each of the Farm-out Resolutions at the EGM (or any postponement or adjournment thereof) (**Shareholder Approval**), Bidder agrees to make the Offers on the Agreed Bid Terms.
- (b) Bidder shall dispatch the Offers to Target Shareholders no later than 42 days after the Shareholder Approval.

3.2 Co-operation

Target and Bidder must each:

- (a) use all reasonable endeavours and commit necessary resources (including management and corporate relations resources and the resources of advisers); and
- (b) procure that its Representatives work in good faith and in a timely and co-operative fashion with the other party (including by attending meetings and by providing the necessary records and information that the other party reasonably requires),

to implement the Transaction as contemplated by this agreement. To avoid doubt, the obligations of the Bidder under this clause cease to apply in the event that a Superior Proposal emerges.

3.3 Preparing Takeover Documents

- (a) Each party agrees to provide the other party, on a timely basis, with assistance and information that may be reasonably required to assist in the preparation of a Takeover Document.
- (a) Without limitation to clause 3.3(a), Target agrees to provide Bidder with an advanced draft of the Target's Statement and any supplementary target's statement and to consult in good faith with Bidder in relation to any comments Bidder may have on that draft.
- (b) Without limitation to clause 3.3(a), Bidder agrees to provide Target with an advanced draft of the Bidder's Statement and any supplementary bidder's statement and to consult in good faith with Target in relation to any comments Target may have on that draft.
- (c) The co-operation between Bidder and Target contemplated in this clause 3.3 will not result in either of them having any responsibility for a Takeover Document prepared by the other party.

3.4 Dispatch of Bidder's Statement and Target's Statement

Target represents and warrants to Bidder that each of the Target Directors has confirmed his or her agreement to the dispatch of the Offers and accompanying documents by Bidder under item 6 of section 633(1) of the Corporations Act on

a date nominated by Bidder that is earlier than the earliest date prescribed by item 6 of section 633(1) of the Corporations Act.

3.5 Access to information

- (a) Target agrees to:
 - (i) provide to Bidder such information about Target Shareholders as reasonably requested by Bidder to make the Offers and solicit acceptances, including the Register and any updates to it; and
 - (ii) undertake regular beneficial shareholder analysis and promptly exercise its powers under section 672A of the Corporations Act if requested to do so by Bidder (acting reasonably).

3.6 Conditions

- (a) Each of the parties must, to the extent within its power, use its reasonable endeavours to ensure that the Conditions are satisfied as soon as practicable after the date of this agreement and that no Conditions are breached or not satisfied.
- (b) Target and Bidder agree not to do, or omit to do, anything which will, or is likely to, result in any of the Conditions being breached or not being satisfied.
- (c) Nothing in this clause 3.6 prevents the Target or the Target Board from taking, or failing to take, action where to do otherwise would, in the opinion of the Target Board (determined in good faith after receiving written legal advice from external lawyers), constitute a breach of the Target Directors' fiduciary or statutory duties.
- (d) If any event occurs or becomes apparent which would cause any of the Conditions to be breached or become (either immediately or at some future point in time) incapable of satisfaction, or which would cause satisfaction of a Condition to be unreasonably delayed, Target and Bidder must, to the extent that they are aware of such information, immediately notify the other party of that event.

4 Support for Offer and Farm-out Resolutions

4.1 Unanimous recommendations by the Target Directors

Target represents and warrants to Bidder that:

- (a) the Target Directors unanimously recommend that Target Shareholders accept the Offer in respect of their Target Shares, in the absence of a Superior Proposal;
- (b) the Target Directors unanimously recommend that Target Shareholders vote in favour of the Farm-out Resolutions at the EGM;
- (c) each Target Director will not withdraw, revise, revoke or qualify, or make any public statement inconsistent with, the recommendations in paragraphs 4.1(a) or 4.1(b) unless:

- (i) a Superior Proposal emerges (that was not procured or obtained by Target through a breach of clause 7 of this agreement); and
 - (ii) the Target Director, acting in good faith, determines on the basis of written external legal advice, that he is by virtue of his fiduciary or statutory duties required to take the action which is proposed to be taken under this paragraph;
- (d) the Target Directors unanimously withdraw their recommendation that Target Shareholders accept the WestSide Offer;
- (e) immediately following Shareholder Approval being obtained, the Target shall terminate the WestSide BIA; and
- (f) each Target Director has confirmed to Target each of the matters set out in paragraphs (a) to (d) (inclusive).

4.2 Promotion of Offer

Unless a majority of the Target Directors withdraw their recommendation of the Offer in accordance with clause 4.1(c), Target must ensure that each Target Director and such other senior executives of Target as reasonably requested by Bidder participate in efforts to promote the merits of the Offer and the Farm-out Resolutions, including meeting with key Target Shareholders, analysts, media and other stakeholders of Target.

5 Termination rights

5.1 Termination events

- (a) Bidder may terminate this agreement at any time by notice in writing to Target:
- (i) if the Target does not obtain the Shareholder Approval;
 - (ii) if:
 - (A) Target is in breach of any clause of this agreement (including any Target Warranty), which breach is material in the context of the Bid, or if a Prescribed Occurrence occurs;
 - (B) Bidder has given notice to Target setting out the relevant circumstances and stating an intention to terminate this agreement; and
 - (C) the relevant circumstances have not been rectified (if capable of being rectified), and/or the activity that caused them has not ceased to the reasonable satisfaction of Bidder, within, in the case of a breach of clause 7, one Business Day from the time such notice is given, and, in any other case, five Business Days from the time such notice is given;

- (iii) if a Competing Transaction is publicly proposed by a person other than Bidder (or one of its Related Bodies Corporate) and is recommended by any Target Director;
 - (iv) if a person other than Bidder or one of its Related Bodies Corporate that does not hold 10% or more Voting Power in Target at the date of this agreement obtains Voting Power in Target of 10% or more other than WestSide pursuant to the WestSide Offer;
 - (v) if a person other than Bidder or one of its Related Bodies Corporate that has Voting Power of 10% or more in Target at the date of this agreement increases their Voting Power in Target by more than 5% other than WestSide pursuant to the WestSide Offer;
 - (vi) if WestSide obtains Voting Power in Target of 15% or more pursuant to the WestSide Offer and the WestSide Offer is declared unconditional;
 - (vii) if any Target Director fails to make or withdraws, changes, revises, revokes or qualifies, or makes a public statement inconsistent with, the recommendation referred to in clause 4.1(a) or makes a public statement indicating that they no longer recommend the Offer; or
 - (viii) if any Target Director recommends, endorses or otherwise supports a Competing Transaction.
- (b) Target may terminate this agreement at any time by notice in writing to Bidder:
- (i) if:
 - (A) Bidder is in breach of any clause of this agreement (including any representation or warranty), which breach is material in the context of the Bid;
 - (B) Target has given notice to Bidder setting out the material breach and stating an intention to terminate this agreement; and
 - (C) the material breach has not been rectified (if capable of being rectified) and/or the activity that caused the material breach has not ceased to the reasonable satisfaction of Target, within five Business Days from the time such notice is given; or
 - (ii) if a majority of Target Directors withdraw their recommendation of the Offer in accordance with clause 4.1(c).
- (c) Either Bidder or Target may terminate this agreement at any time by notice in writing to the other parties, if Bidder withdraws the Offer in accordance with this Agreement or otherwise as permitted by law, or the Offer lapses for any reason, including non-satisfaction of a Condition.
- (d) This agreement automatically terminates on the End Date.

5.2 Effect of termination

In the event of termination of this agreement by either Bidder or Target pursuant to clause 5.1, the agreement will have no further effect, other than in respect of any liability for any antecedent breach of this agreement and provided that this clause 5 and clauses 1, 10, 11 and 12 and Schedule 1 survive termination.

6 Public announcements

- (a) In the absence of a majority of the Target Directors having withdrawn their recommendation of the Offer at the relevant time in accordance with clause 4.1(c), Target must obtain Bidder's prior written consent (not to be unreasonably withheld or delayed) to those parts of any proposed public announcement (including, without limitation, to ASX) which refer to the Bid or Offer. Bidder must advise whether it provides its consent as soon as practicable, and no later than the Business Day following receipt of the form of the public announcement from Target.
- (b) This clause does not prevent the Target from making an announcement provided that:
 - (i) such announcement is made only strictly to the extent such announcement is required by law or the Listing Rules of ASX; and
 - (ii) any such required public announcement shall include only that portion of information that the disclosing Party is legally required to announce pursuant to law or the Listing Rules of ASX.

7 Exclusivity

7.1 No continuing discussions

Target represents and warrants to Bidder that as at the date of this deed:

- (a) it and its Representatives have terminated all discussions with any Third Party in relation to, or which could reasonably be expected to lead to, a Competing Proposal;
- (b) any due diligence access granted to any Third Party in relation to a Competing Proposal has been terminated; and
- (c) any Third Party to whom material non-public information in relation to the Target Group (**Non-public Information**) has been provided or made available in relation to a Competing Proposal has been requested to immediately return or destroy that Non-public Information to the extent of, and in accordance with, any agreed terms of confidentiality.

7.2 No shop

- (a) During the Exclusivity Period, Target must not, and must ensure that its Representatives do not, directly or indirectly:

- (i) solicit, initiate or invite enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Competing Proposal; or
 - (ii) communicate to any person any intention to do any of the things referred to in clause 7.2(a)(i).
- (b) Nothing in paragraph 7.2(a)(i) prevents Target from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors, analysts, shareholders and media in the ordinary course in relation to the Bid or its business provided those communications do not concern or relate to a Competing Transaction.

7.3 No talk

Subject to clause 7.6, during the Exclusivity Period, Target must not, and must ensure that its Representatives do not, directly or indirectly:

- (a) participate in any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Competing Proposal;
- (b) provide or make available to any Third Party any Non-public Information where provision of that information may reasonably be expected to lead to a Competing Proposal; or
- (c) communicate to any person any intention to do any of the things referred to in clauses 7.3(a) or 7.3(b).

7.4 No due diligence

Without limiting clause 7.3 but subject to clause 7.6, during the Exclusivity Period, Target must not:

- (a) solicit, initiate, facilitate or encourage any party (other than Bidder or its Representatives) to undertake due diligence on Target or any member of the Target Group in connection with a Competing Proposal; or
- (b) make available to any other person (other than Bidder, its Representatives or a Government Agency) or permit such person to receive any Non-public Information with a view to obtaining, or which would reasonably be expected to lead to, a Competing Proposal.

This clause 7.4 does not prevent Target from providing information to ASX or Target's auditors and advisers in the ordinary course of business or to otherwise effect the negotiation and entry into this deed, or from making normal presentations to brokers, portfolio investors and analysts in the ordinary course of business or promoting the merits of the Transaction.

7.5 Notification obligation

- (a) During the Exclusivity Period, Target must within 2 Business Days notify Bidder in writing if it is approached, or if any of its Representatives is approached, by any person in relation to a Competing Proposal, and such notice must set out all material details of the approach, including the key terms of the Competing Proposal (including, if specified, the

consideration, conditions, structure, timing, break fee and financing and due diligence requirements) (**Key Terms**).

- (b) Subject to clause 7.6, such notice must also include the identity of the proponent(s) of the Competing Proposal.

7.6 Fiduciary exception

In respect of a Competing Proposal that is made or announced without any breach by Target of its obligations under this clause 7 (other than a breach permitted by this clause 7.6), Target may undertake any action (**Prohibited Action**) that would otherwise be prohibited by clause 7.3 or 7.4, or may fail to take any action (**required action**) that would otherwise be required by clause 7.5(b), if (and only to the extent that) the Target Directors determine, acting in good faith and after receiving written legal advice from external legal advisors, that not undertaking the Prohibited Action, or taking the required action, would, or would be likely, to result in the Target Directors breaching their fiduciary or statutory duties.

8 Conduct of business

8.1 Conduct of business

Subject to the terms of this agreement, from the date of this agreement until the earlier of the End Date and the date when this agreement is terminated, Target must ensure that the Target Group conducts its business and operations and maintain its assets only in, and not take any action except in, the ordinary course and consistent with past practice or as contemplated by this agreement or otherwise agreed by Bidder and must:

- (a) not do or cause to be done, or fail to do or cause not to be done, anything that would or may result in the Transaction not being implemented or being implemented otherwise than in accordance with the terms of this agreement; and
- (b) not take or fail to take any action that constitutes, or that could reasonably be expected to result in or otherwise give rise to, a Prescribed Occurrence.

9 Representations and warranties

9.1 Target Warranties

- (a) Target represents and warrants to Bidder that each of the warranties set out in clause 9.1(b) is true and correct:
 - (i) as at the date of this agreement; and
 - (ii) at all times on each subsequent day of the Exclusivity Period (including the last day of that period).

- (b) Target represents and warrants that:
 - (i) it is a corporation validly existing under the laws of its place of incorporation and each member of the Target Group that is a corporation is a corporation validly existing under the laws of its place of incorporation;
 - (ii) it has the corporate power to enter into and perform its obligations under this agreement and to carry out the transactions contemplated by this agreement;
 - (iii) it has taken all necessary corporate action to authorise the entry into this agreement and has taken or will take all necessary corporate action to authorise the performance of this agreement and to carry out the transactions contemplated by this agreement;
 - (iv) this agreement is valid and binding upon it and the execution and performance of this agreement will not result in a breach or default under Target's constitution (or the constitution of any of its Related Bodies Corporate) or any agreement or deed or any writ, order or injunction, rule or regulation to which Target or any of its Related Bodies Corporate is a party or to which any of them are bound;
 - (v) no resolution has been passed nor has any other step been taken or legal proceedings commenced or threatened against any member of the Target Group for their winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of their assets.

9.2 Bidder Warranties

- (a) Bidder represents and warrants to Target that each of the warranties set out in clause 9.2(b) is true and correct:
 - (i) as at the date of this agreement; and
 - (ii) in the case of all warranties except for the warranty in clause 9.2(b)(vi) on each day during the Offer Period.
- (b) Bidder represents and warrants that:
 - (i) it is a corporation validly existing under the laws of its place of incorporation;
 - (ii) it has the corporate power to enter into and perform its obligations under this agreement and to carry out the transactions contemplated by this agreement;
 - (iii) it has taken all necessary corporate action to authorise the entry into this agreement and has taken or will take all necessary corporate action to authorise the performance of this agreement and to carry out the transactions contemplated by this agreement;
 - (iv) this agreement is valid and binding upon it and the execution and performance of this agreement will not result in a breach or default

under Bidder's constitution or any agreement or deed or any writ, order or injunction, rule or regulation to which Bidder is a party or to which any of them are bound;

- (v) no resolution has been passed nor has any other step been taken or legal proceedings commenced or threatened against Bidder for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets;
- (vi) it will have available to it sufficient cash amounts to enable it to perform its obligations to pay the total cash consideration payable to Shareholders under the Offer;
- (vii) other than as contemplated by the Agreed Bid Terms, no approvals are required to be obtained by the Bidder under any law, rule or regulation to performance and observe its obligations under this agreement and to consummate the transaction contemplated by this agreement; and
- (viii) it will comply during the Offer Period with its obligations under Part 6.9 of the Corporations Act.

10 GST

- (a) Any consideration or amount payable under this agreement, including any non-monetary consideration (as reduced in accordance with paragraph (e) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this agreement, an additional amount (**Additional Amount**) is payable by the party providing the Consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (**Supplier**) in accordance with the GST Law.
- (c) The additional amount payable under paragraph (b) is payable at the same time and in the same manner as the Consideration for the Supply, subject to the provision of a valid Tax Invoice at or before that time. If a valid Tax Invoice is not provided at or before that time then the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason (including, without limitation, the occurrence of an Adjustment Event) the amount of GST payable on a Supply made under or in connection with this agreement (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under paragraph (b):
 - (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and

- (iii) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within 14 days after becoming aware of the occurrence of the Adjustment Event.
- (e) Despite any other provision in this agreement, if an amount payable under or in connection with this agreement (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred.
- (f) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of the GST Group of which that party is a Member is entitled.

11 Notices

- (a) A notice, consent, request or any other communication under this agreement must be in writing and must be left at the address of the addressee or sent by email to the address specified below or any other address or email address the addressee requests.

Target

Attention: Michele Muscillo, Partner
Address: C/- HopgoodGanim Lawyers, Level 8, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000
Email: m.muscillo@hopgoodganim.com.au

Bidder:

Attention: Tony Bancroft, Partner
Address: C/- Gilbert + Tobin, Level 37, 2 Park Street, Sydney NSW 2000
Email: tbancroft@gtlaw.com.au

- (b) A notice, consent, request or any other communication is taken to be received:
 - (i) if by delivery, when it is delivered unless it is delivered on a day other than a Business Day in which case it is taken to be received at 9.00 am on the next Business Day;
 - (ii) if sent by email:

- (A) when the Sender receives an automated message confirming delivery; or
- (B) four hours after the time sent (as recorded on the device from which the Sender sent the email), provided that the Sender does not receive an automated message that the email has not been delivered,

whichever happens first.

12 General

12.1 Cumulative rights

The rights, powers and remedies of a party under this agreement are cumulative with the rights, powers or remedies provided by law independently of this agreement.

12.2 Waiver and variation

A provision or a right under this agreement may not be waived except in writing signed by the party granting the waiver, or varied except in writing signed by the parties.

12.3 Approvals and consents

A party may give or withhold its approval or consent conditionally or unconditionally in its discretion unless this agreement states otherwise. Any approval or consent or agreement required pursuant to this agreement must be in writing.

12.4 Specific performance

The parties acknowledge that monetary damages alone would not be adequate compensation for a breach by any party of an obligation under this agreement and that specific performance of that obligation is an appropriate remedy.

12.5 Effect of agreement

This agreement constitutes the entire agreement between the parties in relations to its subject matter and supersedes any previous understandings or agreements between the parties concerning the subject matter of this agreement.

12.6 Severability

If the whole or any part of a provision of this agreement is void, unenforceable or illegal in a jurisdiction, it is severed for that jurisdiction. The remainder of this agreement has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this agreement or is contrary to public policy.

12.7 Mutual further assurances

Each party must do all things necessary or expedient to be done by it in connection with the matters referred to in this agreement.

12.8 Counterparts

This agreement may be executed in any number of counterparts and all those counterparts taken together will constitute one instrument.

12.9 Governing law and jurisdiction

This agreement is governed by the laws of Queensland. Each party submits to the non-exclusive jurisdictions of the courts of Queensland.

12.10 Assignment

The rights and obligations of each party under this agreement are personal. They cannot be assigned, charged or otherwise dealt with, and no party shall attempt or purport to do so, without the prior written consent of the other party.

Schedule 1 — Dictionary

Schedule 1 Dictionary

In this agreement, the following definitions apply.

Additional Amount has the meaning given in clause 10(b).

Agreed Bid Terms means the terms and conditions set out in Schedule 2.

Amount Incurred has the meaning given in clause 10(e).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691.

ASX Listing Rules means the official listing rules of ASX.

Attachment means an attachment to this agreement.

Bid means a proportional off-market takeover bid by Bidder for 13.6242 percent of all Target Shares under Chapter 6 of the Corporations Act.

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

Bidder Public Announcement means the announcement to be made by Bidder to ASX in the form annexed at Attachment A.

Bidder Warranties means the representations and warranties set out in clause 9.2(b).

Bidder's Statement means the bidder's statement to be prepared by Bidder in connection with the Bid in accordance with Chapter 6 of the Corporations Act.

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

Competing Transaction means any expression of interest, proposal, offer or transaction, which if completed, would mean a person (other than Bidder or one of its Related Bodies Corporate) would:

- (a) directly or indirectly, acquire an interest in, a relevant interest in, become the holder of, or enter into a cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to:
 - (i) more than 10% of the Target Shares or more than 10% of the shares in any of Target's Subsidiaries; or
 - (ii) the whole or a material part of the business or property of Target or any of its Subsidiaries;

- (b) acquire control of Target, within the meaning of section 50AA of the Corporations Act;
- (c) otherwise acquire or merge (including by a scheme of arrangement, capital reduction, sale of assets, strategic alliance, joint venture, partnership, reverse takeover bid or dual listed company structure) with Target; or
- (d) result in the Bid not being able to be implemented on the basis set out in this agreement.

Conditions means the conditions set out in clause 3 of Schedule 2.

Consideration has the meaning given in clause 10(a).

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

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.

Dictionary has the meaning given in clause 1.1(a).

EGM means the extraordinary general meeting of Target Shareholders to be held on 30 October 2015.

End Date means the date on which the Offer Period ends.

Exclusivity Period means the period commencing on the date of this agreement and ending on the first to occur of:

- (e) termination of this agreement; and
- (f) the End Date.

Farm-out Resolutions means the resolutions set out in the notice of extraordinary general meeting dated 1 October 2015 for the purposes of the EGM.

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.

GST means a goods and services tax or similar value added tax levied or imposed under the GST Law.

GST Law has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Offer means each offer by Bidder to acquire 13.6242 percent of each Target Shareholder's Target Shares under the Bid and **Offers** means all such offers.

Offer Period means the period the Offer is open for acceptance.

Offer Price means the consideration specified in clause 1 of Schedule 2.

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 smaller 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;
- (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.

Recipient has the meaning given in clause 10(b).

Register means the register of Target Shares kept by Target.

Related Body Corporate has the meaning it has in the Corporations Act.

Relevant Acceptance Instructions has the meaning given to it in clause 4.1(c) of the WestSide BIA.

Relevant Interest has the meaning it has in the Corporations Act.

Representative of a person means an employee, agent, officer, director, adviser or financier of the person and, in the case of advisers and financiers,

includes employees, officers and agents of the adviser or financier (as applicable).

Roma Shelf Assets has the meaning ascribed to that term in the target's statement dated 7 October 2015 issued by the Target in response to the WestSide Offer.

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.

Schedule means a schedule to this agreement.

Shareholder Approval has the meaning given in clause 3.1(a).

Subsidiary has the meaning it has 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.

Takeover Document means a document required to be prepared by Bidder or Target under chapter 6 of the Corporations Act in connection with the Bid, and includes:

- (a) the Bidder's Statement and Target's Statement;
- (b) any supplementary statement in respect of the Bidder's Statement or Target's Statement; and
- (c) any notices required to be prepared by Bidder (including under section 630(3), 650D(1) or 650F(1) of the Corporations Act).

Target Board means the board of directors of Target from time to time.

Target Director means a member of the Target Board.

Target Group means Target and each of its Related Bodies Corporate.

Target Public Announcement means the announcement to be made by Target to ASX in the form annexed at Attachment B.

Target Shares means fully paid ordinary shares issued in the capital of Target.

Target Shareholders means each person who is registered in the register of members of Target as the holder of Target Shares from time to time.

Target's Statement means the target's statement to be issued by Target under section 638 of the Corporations Act in response to the Bid.

Target Warranties means the representations and warranties set out in clause 9.1(b).

Third Party has the meaning given in clause 3(c) of Schedule 2.

Transaction means the acquisition by Bidder of all Target Shares under the Bid.

Voting Power has the meaning it has in the Corporations Act.

WestSide means WestSide Corporation Limited.

WestSide BIA means the Bid Implementation Agreement dated 15 October 2015 between WestSide and Target.

WestSide Offer means the takeover bid by WestSide for all of the Target Shares on the terms described in the WestSide BIA.

Schedule 2 Interpretation

In this agreement the following rules of interpretation apply unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this agreement;
- (b) the singular includes the plural and vice versa;
- (c) words that are gender neutral or gender specific include each gender;
- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (f) a reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;

- (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this agreement;
 - (vi) this agreement includes all schedules and attachments to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a rule of ASX and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement other than this agreement includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and
 - (ix) a monetary amount is in Australian dollars;
- (g) an agreement on the part of two or more persons binds them jointly and severally;
 - (h) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;
 - (i) in determining the time of day, where relevant to this agreement, the relevant time of day is:
 - (i) for the purposes of giving or receiving notices, the time of day where a party receiving a notice is located; or
 - (ii) for any other purpose under this agreement, the time of day in the place where the party required to perform an obligation is located; and
 - (j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this agreement or any part of it.

Schedule 2 – Agreed Bid Terms

Schedule 1 Consideration

The consideration offered under the Bid will be A\$0.25 for each Target Share acquired, subject to any improvement permitted by the Corporations Act.

Schedule 2 Offer Period and Offer

The Offer will remain open for one month from the date of the Offer, subject to Bidder's right to extend the period under the Corporations Act.

Schedule 3 Conditions

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

1.1 No regulatory action

During the Offer Period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by a Governmental Agency;
- (b) no action or investigation is announced, commenced or threatened by any Governmental Agency; and
- (c) no application is made to any Governmental Agency (other than by a member of the 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 this agreement), which:

- (d) restrains, prohibits or impedes (or if granted or made could restrain, prohibit or impede), or otherwise materially adversely impacts upon:
 - (i) the making of the Offers or the completion of any transaction contemplated by the Offer; or
 - (ii) the rights of Bidder in respect of Target or the Target Shares; or
- (e) requires the divestiture by Bidder of any Target Shares or the divestiture of any assets of the Target Group.

1.2 No Prescribed Occurrences

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

Execution page

Executed as an agreement.

Signed for **AEGP Australia Pty Ltd** by:



Signature of director

Ashley K. McClelland

Name of director (print)



Signature of director/secretary

Ryan H. Turner

Name of director/secretary (print)

Signed for **Armour Energy Limited** by:

Signature of director

Name of director (print)

Signature of director/secretary

Name of director/secretary (print)

Execution page

Executed as an agreement.

Signed for **AEGP Australia Pty Ltd** by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

Signed for **Armour Energy Limited** by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)