

Armour Energy Limited

15 October 2015

Armour Directors Unanimously Recommend Increased WestSide Cash Takeover Offer of \$0.20 per Share and Dividend in Specie of Lakes Oil Shares

Highlights

- **WestSide Corporation has increased its cash offer to \$0.20 per share (the Revised WestSide Offer).**
- **If the Revised WestSide Offer becomes unconditional, Armour will declare a dividend in specie of 6.9755 shares in Lakes Oil NL for each Armour share held on the business day prior to the Revised WestSide Offer becoming unconditional (subject to an ASX waiver), providing additional value of 1.4 cents per Armour share.**
- **Armour Directors unanimously recommend that Armour shareholders accept the Revised WestSide Offer which provides a compelling premium and certain cash value, in the absence of a superior proposal. For this reason, Armour Directors also unanimously recommend that Armour Shareholders vote AGAINST each item of business at the general meeting scheduled for 30 October 2015 (“EGM”).**

Following discussions between Armour Energy Limited (**Armour**, ASX: AJQ) and WestSide Corporation Limited (**WestSide**), WestSide has agreed to formally increase its cash offer price to \$0.20 per share (the **Revised WestSide Offer**).

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

Recipients will need to seek their own tax advice as to the treatment of the dividend in the context of their individual circumstances.

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

While the Armour Directors continue to believe there is long term value in the proposed AEP transaction, as it remains conditional, the Directors are of the opinion that the Revised WestSide Offer provides greater certainty for Armour shareholders.

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



Armour Directors also unanimously recommend that Armour shareholders vote against the AEP transaction at the EGM scheduled for 30 October 2015.

The Armour Directors intend to accept the Revised WestSide Offer in respect of all the Armour shares they own or control, in the absence of a superior proposal. To the extent able to, each Armour Director intends to vote any shares they own or control against the AEP proposal at the EGM.

In this announcement, words and phrases shall have the meaning given to them in either:

- the replacement bidder's statement lodged with ASIC by WestSide on 14 September 2015, (**Bidder's Statement**); or
- the target's statement lodged with ASIC by Armour on 7 October 2015 (**Target's Statement**),

unless expressly defined otherwise in this announcement.

Reasons for the Recommendation

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

1. The Revised WestSide Offer represents a 67% premium to the initial WestSide Offer of \$0.12 per share and a 194% premium to the last closing price for Armour shares prior to the initial WestSide Offer.
2. The Revised WestSide Offer provides Armour shareholders with the certainty of a cash offer at \$0.20 per Armour Share with the additional value of approximately 1.4 cents per Armour Share from the Lakes Oil dividend in specie if the offer becomes unconditional, compared with the AEP transaction which is subject to shareholder approval and certain other conditions.
3. The Revised WestSide Offer of \$0.20 per Armour share is within the Independent Expert's Market Based Valuation range of \$0.16 to \$0.26 per Armour share on a controlling interest basis.¹
4. The Revised WestSide Offer is currently the only offer that is available to shareholders, with no superior proposals having yet emerged.
5. WestSide has now declared the Revised WestSide Offer to be best and final, subject to no competing proposal emerging. The effect of this is that unless a competing proposal emerges, WestSide is not able to increase the offer price.
6. The Armour share price may fall to levels below the Revised WestSide Offer price, following the conclusion of the takeover offer unless a superior proposal is received.

¹ Refer to Armour Energy Target's Statement, p.129 – Table 6.6: Value per Armour Energy Ordinary Share on a Controlling Interest Basis. The Revised Offer and the dividend in specie (when taken together) are near to the low end of the Independent Expert's valuation of \$0.22 to \$0.37 per share.



The Armour Board's unanimous recommendation to accept WestSide's Revised Offer has been made following careful consideration by the Board of all currently available options to maximise value for Armour shareholders. WestSide's Revised Offer enables Armour shareholders to realise a compelling premium for their shares and provides certain cash value. Once the Revised WestSide Offer becomes unconditional, Armour shareholders will receive additional value of approximately 1.4 cents per share through the dividend in specie of shares in Lakes Oil.

EGM to consider the AEP proposal

The Armour Directors unanimously recommend that Armour shareholders vote **AGAINST** the AEP transaction at the EGM scheduled for 30 October 2015. If the AEP transaction is approved, the Revised WestSide Offer will not proceed.

To the extent able to, each Armour Director intends to vote any shares they own or control against the AEP proposal at the EGM.

Bid Implementation Agreement

Armour and WestSide have entered into a bid implementation agreement (**BIA**). This agreement sets out the terms of the Revised WestSide Offer and a number of other customary requirements. A copy of the BIA is set out in Annexure A.

Supplementary materials will be provided to Armour shareholders in relation to the EGM scheduled for 30 October 2015 to consider the proposed AEP transaction in due course.

Funding Term Sheet

WestSide has agreed to provide to Armour up to A\$22,500,000 (the **Facility Limit**) worth of unsecured funding (**Bridging Facility**), to the extent required to:

1. during the Offer Period, if WestSide has obtained a relevant interest in 50.1% of Armour Shares (and the offer is otherwise unconditional) or DGR Global Limited, Armour's largest shareholder, makes a public "truth in takeovers" statement that it intends to support the offer on the same basis as each Director of Armour, and only in the event the DGR Finance Facility (defined as **Facility** in the Target's Statement) is fully drawn, provide up to \$7,500,000 to the extent required to (i) fund the acquisition consideration of the Roma Shelf Assets Agreements (as defined in the Target's Statement); and (ii) to pay any environmental bonds following the completion of the Roma Shelf Assets Agreements, in each case in accordance with the terms of the Roma Shelf Assets Agreements (**Roma Shelf Assets Tranche**); and
2. repay the DGR Finance Facility, up to an amount of \$15,000,000 (**DGR Finance Facility Tranche**), provided the DGR Finance Facility has been drawn for the purpose set out in paragraph 1 (that is, to meet obligations under the Roma Shelf Assets Agreements).

These obligations are set out in a binding term sheet (**Term Sheet**) which the parties have executed, but which Armour and WestSide intend will be replaced with formal documentation (**Facility Agreement**).

The Term Sheet signed by the parties provides that drawdowns under the Bridging Facility are subject to the following conditions precedent (the **Conditions Precedent**):

1. The BIA being entered into between the parties.
2. For the Roma Shelf Assets Tranche:
 - WestSide has a relevant interest in at least 50.1% of Armour Shares (and the Offer is otherwise unconditional) or DGR Global Limited makes a public “truth in takeovers” statement that it intends to support the Offer on the same basis as each director of Armour Energy;
 - a funding obligation crystallises under the Roma Shelf Assets Acquisitions Agreements (as defined in the Target’s Statement) during the Offer Period (as defined in the Target’s Statement);
 - the DGR Finance Facility has been fully drawn; and
 - the Bid Implementation Agreement has not been terminated or the off-market takeover bid by WestSide for all Armour shares made pursuant to the Bidders Statement (the **Takeover Bid**) has not otherwise been withdrawn or allowed to lapse.
3. For the DGR Finance Facility Tranche:
 - WestSide acquiring a Relevant Interest in 50.1% of Armour pursuant to the Takeover Bid and the Takeover Bid otherwise being declared unconditional; and
 - Armour providing evidence to WestSide that the DGR Finance Facility has only been used to (i) fund the acquisition consideration of the Roma Shelf Assets Agreements; and (ii) to pay any Environmental Bonds following the completion of the Roma Shelf Assets Agreements, in each case in accordance with the terms of the Roma Shelf Assets Agreements.

In addition the Term Sheet contains the following commercial terms, amongst others:

1. Interest in an amount of 13% pa, calculated on the principal owing from time to time, is payable monthly in arrears.
2. All moneys owing under the Facility shall be repayable on the earlier of:
 - a) 12 months from provision of the first drawdown under the Facility (or earlier in the event WestSide acquires a Relevant Interest in at least 90% of Armour shares);
 - b) in the event that WestSide does not acquire a Relevant Interest in at least 50.1% of Armour shares pursuant to the Takeover Bid and otherwise declare the Takeover Bid unconditional, the first business day occurring three (3) months after the Takeover Bid lapses or is otherwise withdrawn; and
 - c) the business day after a change of control occurring in respect of Armour to a party other than WestSide.

3. In addition, in the event that there is a change in control in Armour (other than to WestSide), WestSide shall be entitled to elect by written notice to require repayment of the Facility and any outstanding interest and fees due.
4. Within 5 business days of WestSide acquiring a relevant interest in 50.1% of Armour pursuant to the Takeover Bid and the Takeover Bid otherwise being declared unconditional, WestSide shall provide such funds as may be required by Armour under the Facility to enable Armour to repay the DGR Finance Facility.
5. There is a commitment fee payable by Armour to WestSide of 0.5% of the Facility Limit payable within 5 Business Days of satisfaction or waiver of all of the Conditions Precedent and the Facility being available to be drawn by Armour.
6. In addition Armour covenants that during the term of the Facility it shall not:
 - (a) enter any other debt facilities or financing arrangements in respect of the Roma Shelf Assets including without limitation, by entering into any gas supply or gas sales agreements, unless (but not if a Drawdown Notice has already been issued by Armour) they contain a provision entitling Armour Energy to terminate those arrangements upon the occurrence of a Change In Control, in accordance with the terms of the BIA; or
 - (b) grant security over its assets without the prior consent of WestSide.

Institutional Acceptance Facility

WestSide has established an institutional acceptance facility (**IAF**) to be operated by Pacific Custodians Pty Limited. The IAF allows eligible institutional Armour shareholders (being sophisticated, professional or other investors associated with Armour as those terms are used in section 708 of the Corporations Act) to indicate their intention to accept the Offer prior to the Revised WestSide Offer becoming unconditional.

The Armour Directors that own or control approximately 1.7% of Armour shares have indicated that they will issue acceptance instructions to Pacific Custodians Pty Limited under the IAF in respect of all Armour shares they own or control within 2 Business Days of this announcement or the establishment of the IAF. The Armour Directors have indicated that they will only withdraw such acceptance instructions in the event of a superior proposal. To ensure that WestSide is able to fulfil the minimum acceptance condition of 50.1% we encourage you to accept the Revised WestSide Offer or provide your acceptance instructions under the IAF as soon as possible.

How to Accept the Revised WestSide Offer

To accept the Revised WestSide Offer, shareholders should carefully follow the instructions in Section 4 of Appendix 1 of the WestSide Bidder's Statement dated 14 September 2015. Armour shareholders should note that WestSide's offer is set to close at 7.00pm (Sydney time) on 9 November 2015. If WestSide's voting power in Armour increases to more than 50% within the last 7 days of the Offer Period, there will be an automatic extension of the Offer Period so that it ends 14 days after the date that WestSide's voting power increases to more than 50%.



If you have already accepted the Offer, you need not take any further action and you will be entitled to the benefit of the improved consideration.

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

Each of WestSide and Armour will issue supplementary materials to Armour shareholders in due course.

Shareholder Information Line

A Shareholder Information Line has been established to address any specific queries in relation to the Revised Offer: **1300 721 637** (toll free within Australia) or **+61 2 8016 2890** (callers outside Australia). Updates in relation to the Revised WestSide Offer will also be posted on Armour's website (www.armour.com.au).

Advisers

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

A handwritten signature in blue ink, appearing to read "K. Schlobohm", is positioned above the typed name.

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



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

Bid Implementation Agreement

Dated 15 October 2015

WestSide Corporation Limited ABN 74 117 145 516 ("**WestSide**")
Armour Energy Limited ABN 60 141 198 414 ("**Armour Energy**")

King & Wood Mallesons
Level 33
Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Australia
T +61 7 3244 8000
F +61 7 3244 8999
DX 311 Brisbane
www.kwm.com

Bid Implementation Agreement

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Bid Implementation Agreement

Details

Parties	WestSide and Armour Energy	
WestSide	Name	WestSide Corporation Limited
	ABN	74 117 145 516
	Address	C/- King & Wood Mallesons Level 33, Waterfront Place 1 Eagle Street BRISBANE QLD 4000
	Attention	Rhys Casey, Partner
Armour Energy	Name	Armour Energy Limited
	ABN	60 141 198 414
	Address	C/- HopgoodGanim Lawyers Level 8, Waterfront Place 1 Eagle Street BRISBANE QLD 4000
	Attention	Michele Muscillo, Partner
Recitals	A.	WestSide has made the Takeover Bid to acquire all of Armour Energy's Shares.
	B.	WestSide is proposing to announce a variation to the terms of the Takeover Bid to, amongst other matters, increase the consideration offered.
	C.	The directors of Armour Energy are proposing to unanimously recommend the varied Takeover Bid in the absence of a Superior Proposal.
	D.	Armour Energy and WestSide have agreed to co-operate with each other in relation to the varied Takeover Bid on the terms of this agreement.
Governing law	Queensland, Australia	
Date of agreement	See Signing page	

Bid Implementation Agreement

General terms

1 Definitions and interpretation

1.1 Definitions

The following words have these meanings in this agreement unless the contrary intention appears.

Acceptance Form has the meaning given to that term in the Bidder's Statement.

Acceptance Instructions means the delivery of an Acceptance Form or Custodial Directions from an Eligible Shareholder to the Facility Agent demonstrating its intention to accept the Offer subject to the terms of the Institutional Acceptance Facility.

ACCC means the Australian Competition and Consumer Commission.

AEP means American Energy Partners, LP or any of its affiliates (including American Energy - Acquisitions LLC and AEGP Australia Pty Ltd).

AEP Agreements means the agreements entered into between Armour Energy and AEP to give effect to the Northern Territory Farm-out as announced to the ASX on 11 September 2015.

Advisers means, in relation to an entity, its legal, financial, accounting, tax and other expert advisers.

Announcement means the announcement substantially in the form of Annexure 1.

Announcement Date means 15 October 2015.

Armour Energy means Armour Energy Limited ABN 60 141 198 414, a company incorporated in Australia.

Armour Energy Board means the board of directors of Armour Energy.

Armour Energy Group means Armour Energy and its Subsidiaries.

Armour Energy Share means a fully paid ordinary share in the capital of Armour Energy.

Armour Energy Shareholder means a holder of one or more Armour Energy Shares.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to this agreement.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires.

Authorised Officer means, in respect of a party, a director or secretary of the party or any other person appointed by a party to act as an Authorised Officer under this agreement.

Bidder's Statement means the replacement bidder's statement lodged with ASIC by WestSide in respect of the Takeover Bid on 14 September 2015, and any supplementary bidder's statement.

Business Day has the meaning given in the Listing Rules.

Business Hours means from 9.00am to 5.00pm on a Business Day.

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

Competing Transaction means any proposal, offer, arrangement, transaction or proposed transaction notified to the Armour Energy Board which, if completed substantially in accordance with its terms, would mean a person (other than WestSide or its Associates) would:

- (a) directly or indirectly, acquire an interest or Relevant Interest in or become the holder of:
 - (i) 10% or more of all Armour Energy Shares; or
 - (ii) the whole or a material part of the business or assets of the Armour Energy Group (including any current production, development or exploration asset, or other material asset of Armour Energy),

including by way of takeover bid, scheme of arrangement, capital reduction, block trade, sale of assets, sale of shares, joint venture or farm-out/farm-in proposal, or other transaction having a similar effect, and including a derivative agreement relating to 10% or more of all Armour Energy Shares, but in each case not as a custodian, nominee or bare trustee;

- (b) acquire control of Armour Energy, within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with Armour Energy.

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

Custodial Directions means directions to a custodian to accept the Offer.

Details means the section of this agreement headed "Details".

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

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

Eligible Shareholders means those Armour Energy Shareholders who are designated as "Eligible Shareholders" under the terms of the Institutional Acceptance Facility, and will include, for the avoidance of any doubt,

sophisticated investors (as contemplated by section 708(8) of the Corporations Act), professional investors (as contemplated by section 708(11) of the Corporations Act) and people associated with Armour Energy (as contemplated by section 708(12) of the Corporations Act).

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit á prendre, easement, security interest (as defined in sections 12(1) and (2) of the PPSA) or other security arrangement or any other arrangement having the same effect.

Facility Agent means the operator of the Institutional Acceptance Facility appointed by WestSide.

Financial Arrangement means each:

- (a) financing agreement or instrument, money borrowing or raising arrangement or other financing arrangement, liability, Encumbrance or other security, guarantee, indemnity or other credit support arrangement; or
- (b) derivative or treasury transaction, agreement or arrangement,

in each case regardless of form and including any similar arrangement (including, without limitation, in connection with any gas sales or gas supply arrangements).

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a controller appointed to any part of its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement); or
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Institutional Acceptance Facility means the facility established by WestSide with respect to the Offer for the purposes of the holding of Acceptance Instructions from Eligible Shareholders pending the delivery from WestSide to the Facility Agent of a Minimum Acceptance Notice.

Landbridge Group means the Landbridge Group Co., Ltd and its subsidiaries.

Listing Rules means the Listing Rules of ASX Limited.

Material Contract means a contract or commitment requiring total payments by, or providing revenue to, Armour Energy in excess of \$500,000, including but not limited to Armour Energy entering into any gas supply or gas sales agreement with any other entity.

Minimum Acceptance Notice means a written notice from WestSide that:

- (a) WestSide will have a Relevant Interest in at least 50.1% of all of the Armour Energy Shares on issue once all the delivered Acceptance Instructions are validly processed or implemented (as appropriate); and
- (b) the Offer is otherwise unconditional.

Northern Territory Farm-out means the proposal set out in the AEP Agreements, as announced by Armour Energy on 11 September 2015.

Offer means each offer to acquire Armour Energy Shares dated 22 September 2015 and made pursuant to the Takeover Bid, the terms of which are contained in the Bidder's Statement, as are proposed to be varied in accordance with this agreement.

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

Offer Price means A\$0.12 per Armour Energy Share, as is proposed to be varied in accordance with this agreement.

Officers means, in relation to an entity, its directors, officers, partners and employees.

PPSA means the Personal Property Securities Act 2009 (Cth).

Register means the share register and option register of Armour Energy (as appropriate).

Regulatory Authority includes:

- (a) ASX, ACCC and ASIC;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Related Bodies Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representatives of a party includes:

- (a) each of the Related Bodies Corporate of the party; and

- (b) each of the Officers and Advisers of the party or any of its Related Bodies Corporate.

Rights has the meaning given to that term in the Bidder's Statement.

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

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

Subsidiaries has the meaning given in the Corporations Act.

Superior Proposal means a publicly announced Competing Transaction which the Armour Energy Board, acting in good faith and after taking advice from its Advisers (including written legal advice), determines is:

- (a) reasonably capable of being completed, taking into account all aspects of the Competing Transaction; and
- (b) more favourable to Armour Energy Shareholders than the Takeover Bid, taking into account all terms and conditions of the Competing Transaction.

Takeover Bid means the off-market takeover bid by WestSide for all Armour Energy Shares made in accordance with Chapter 6 of the Corporations Act, as varied in accordance with this agreement.

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

Unlisted Armour Energy Options means the unlisted options to acquire Armour Energy Shares.

Unlisted Armour Energy Option Consideration means the amount payable (if any) in respect of the Unlisted Armour Energy Options, as agreed between the parties.

WestSide means WestSide Corporation Limited ABN 74 117 145 516, a company incorporated in Australia and a subsidiary of the Landbridge Group.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this agreement to:

- (a) **(variations or replacement)** a document (including this agreement) includes any variation or replacement of it;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this agreement;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them,

and consolidations, amendments, re-enactments or replacements of any of them);

- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;
- (g) **(executors, administrators, successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns;
- (h) **(reference to a group of persons)** a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (i) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) **(accounting terms)** an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia;
- (m) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (n) **(time of day)** time is a reference to the time in Brisbane, Queensland.

1.3 Next day

If an act under this agreement to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day.

1.4 Next Business Day

If an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.5 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this agreement.

2 Announcements

2.1 WestSide Announcements

As soon as reasonably practicable on or after the Announcement Date, WestSide will prepare and lodge the following documents:

- (a) a notice of variation of the Offer Price, increasing it to A\$0.20 per Armour Energy Share in accordance with the Corporations Act;
- (b) a notice declaring that, provided that either:
 - (i) the resolutions relating to the Northern Territory Farm-out are not approved at the EGM and the EGM is not cancelled, postponed or adjourned other than in accordance with this agreement; or
 - (ii) the Northern Territory Farm-out is terminated,

WestSide will not rely upon the breach by Armour Energy of:

- (iii) the condition set out in paragraph (b) of Appendix 2 of the Bidder's Statement, arising as a result of the entry by Armour Energy into the AEP Agreements; or
- (iv) the condition set out in paragraph (c)(iv) of Appendix 2 of the Bidder's Statement, arising as a result of the agreement to issue shares and options pursuant to the AEP Agreements (but may reserve its right to withdraw the Offer (or allow it to lapse) for any other breach of the condition set out in paragraph (c) of Appendix 2 of the Bidder's Statement); and
- (c) a notice declaring that, provided the Northern Territory Farm-out is terminated and there has been no breach by Armour Energy of this agreement, if WestSide acquires a Relevant Interest in at least 50.1% of Armour Energy's Shares (or would acquire a Relevant Interest, if the number of Armour Energy Shares the subject of the Institutional Acceptance Facility were also included), WestSide will declare the Offer free from all conditions; and
- (d) a second supplementary Bidder's Statement reflecting the matters referred to in paragraphs (a), (b) and (c) above, in accordance with the Corporations Act.

2.2 Armour Energy Announcements

Armour Energy will prepare and lodge the following documents as soon as reasonably practicable:

- (a) on the Announcement Date, the Announcement as set out in Annexure 1 of this agreement (in the form agreed to by WestSide);
- (b) after the Announcement Date, a supplementary Target's Statement, which includes the statements contemplated by clause 4.2, in accordance with the Corporations Act; and
- (c) after the Announcement Date, unless the Northern Territory Farm-out is earlier terminated, any documentation (including ASX announcements or a supplementary notice of meeting) required to recommend that Armour Energy Shareholders vote against the Northern Territory Farm-out at the EGM.

3 Co-operation

3.1 General obligations

Armour Energy and WestSide 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 Takeover Bid as contemplated by this Agreement.

3.2 Access to people and information

Between the date of this agreement and the earlier of the end of the Offer Period and the date this agreement is terminated, Armour Energy must to the extent reasonably required to implement the Takeover Bid:

- (a) as soon as reasonably practicable, provide WestSide and its Representatives with any documents, records, and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) reasonably requested by them; and
- (b) provide WestSide and its Officers and Advisers with reasonable access within Business Hours to Armour Energy's Officers and Advisers (provided that this access does not impose an undue burden on Armour Energy) which WestSide reasonably requires for the purposes of:
 - (i) implementing the Takeover Bid;
 - (ii) preparing for carrying on the business of Armour Energy following implementation of the Takeover Bid; and
 - (iii) any other purpose which is agreed in writing between the parties.

3.3 Implementation obligations of Armour Energy

Armour Energy must:

- (a) provide all necessary information about the Register and historic trading information to WestSide which WestSide requires in order to assist WestSide to solicit acceptances under the Takeover Bid;
- (b) provide all necessary directions to update the Register and promptly provide any information that WestSide reasonably requests in relation to the Register and, where requested by WestSide, Armour Energy must procure the information to be provided to WestSide in an electronic form as is reasonably requested by WestSide;
- (c) use reasonable endeavours to identify and provide relevant details of all Eligible Shareholders (including the name and contact details of each Eligible Shareholder) required by the Facility Agent to operate and administer the Institutional Acceptance Facility effectively; and
- (d) undertake regular beneficial shareholder analysis and promptly exercise its powers under section 672A of the Corporations Act if requested to do so by WestSide (acting reasonably).

3.4 Unlisted Armour Energy Options

- (a) If WestSide acquires a Relevant Interest in at least 90% of Armour Energy Shares during the Offer Period, WestSide must:

- (i) make an offer to acquire all of the Unlisted Armour Energy Options (outstanding as at such date) from each holder of Unlisted Armour Energy Options for the Unlisted Armour Energy Option Consideration; or
- (ii) seek such holder's consent for the cancellation of its Unlisted Armour Energy Options for the Unlisted Armour Energy Option Consideration (in which case WestSide must provide Armour Energy sufficient funds to pay the Unlisted Armour Energy Option Consideration).

If accepted, the acquisition or cancellation of those Unlisted Armour Energy Options must be completed within 21 days of WestSide acquiring a Relevant Interest in at least 90% of Armour Energy Shares.

- (b) Armour Energy must ensure that the Armour Energy Board:
 - (i) does all things and takes all actions required by the terms of the Unlisted Armour Energy Options, the Listing Rules, the Corporations Act and the Armour Energy constitution in respect of the Unlisted Armour Energy Options and any offer made under clause 3.4(a); and
 - (ii) does not exercise any discretion given to Armour Energy or the Armour Energy Board under the terms of the Unlisted Armour Energy Options without the prior written consent of WestSide (such consent not being unreasonably withheld or delayed) unless the failure to exercise any discretion would or is likely, in the reasonable opinion of the Armour Energy Board, to involve a breach of the duties of the directors of Armour Energy.

3.5 Institutional Acceptance Facility

- (a) **(Establishment of Institutional Acceptance Facility)** As soon as practical after the date of this agreement, WestSide must establish the Institutional Acceptance Facility open to Eligible Shareholders in order to facilitate receipt of acceptances of the Offer.
- (b) **(Operation of Institutional Acceptance Facility)** The Institutional Acceptance Facility will operate as follows:
 - (i) Eligible Shareholders may lodge Acceptance Instructions with the Facility Agent to accept the Offer that demonstrate their intention to accept the Offer subject to the terms of the Institutional Acceptance Facility;
 - (ii) the Facility Agent will hold the Acceptance Instructions as acceptance facility agent only and will not acquire a Relevant Interest in any of the Armour Energy Shares the subject of the Acceptance Instructions;
 - (iii) the Facility Agent must deliver:
 - (A) the Acceptance Forms in accordance with the instructions on the relevant Acceptance Forms; and/or
 - (B) the Custodian Directions to the relevant custodian,
 immediately after the Facility Agent receives the Minimum Acceptance Notice from WestSide.

- (iv) Eligible Shareholders are able to withdraw their Acceptance Instructions at any time, subject to clause 4.1(c), prior to the Facility Agent receiving the Minimum Acceptance Notice.
- (c) **(Disclosure of Acceptance Instructions)** WestSide must disclose the number of Armour Energy Shares in respect of which Acceptance Instructions have been received by 9.30am (Sydney time) on the Business Day following any movement of at least 1% in the aggregate number of Armour Energy Shares subject to the Institutional Acceptance Facility and the number of Armour Energy Shares in which WestSide has a Relevant Interest, together with a breakdown of the aggregate amount between those two categories.

4 Board and director recommendation

4.1 Board recommendation

Armour Energy represents and warrants that the directors of Armour Energy have met and considered the Offer and that all of the directors of Armour Energy have informed Armour Energy that they will:

- (a) unanimously recommend the Offer to Armour Energy Shareholders, subject to there being no Superior Proposal;
- (b) unanimously recommend that Armour Energy Shareholders vote against the Northern Territory Farm-out at the EGM;
- (c) promptly, and in any event within 2 Business Days after the later of:
 - (i) the date of this agreement; or
 - (ii) the establishment of the Institutional Acceptance Facility,
 provide Acceptance Instructions in respect of all Armour Energy Shares that they, or their Associates, own, control or otherwise have a Relevant Interest in, into the Institutional Acceptance Facility ("**Relevant Acceptance Instructions**"), with such Relevant Acceptance Instructions only to be withdrawn should a Superior Proposal emerge prior to the delivery of the Minimum Acceptance Notice;
- (d) except to the extent that the Northern Territory Farm-out is terminated prior to the EGM, to the extent able to be exercised at the time of the EGM, exercise voting rights in respect of all Armour Energy Shares that they, or their Associates, own, control or otherwise have a Relevant Interest in, against the Northern Territory Farm-out at the EGM; and
- (e) in respect of all Armour Energy Shares that they, or their Associates, own, control or otherwise have a Relevant Interest in, not do anything that would jeopardise the sale of those Armour Energy Shares into the Takeover Bid, subject to there being no Superior Proposal.

4.2 Future announcements to include recommendations

Following publication of the Announcement, Armour Energy agrees to procure that all public statements issued by Armour Energy in relation to the Offer will contain a statement that:

- (a) the Armour Energy Board:
 - (i) recommends that Armour Energy Shareholders accept the Offer in the absence of a Superior Proposal; and

- (ii) except to the extent that the Northern Territory Farm-out is terminated prior to the EGM, recommends that Armour Energy Shareholders vote against the Northern Territory Farm-out at the EGM; and
- (b) each director of Armour Energy:
 - (i) recommends the Offer to Armour Energy Shareholders in their personal and directorial capacity in the absence of a Superior Proposal;
 - (ii) intends to accept the Offer in respect of any Armour Energy Shares which they own or control in the absence of a Superior Proposal; and
 - (iii) except to the extent that the Northern Territory Farm-out is terminated prior to the EGM, to the extent able to, will exercise all voting rights in respect of any Armour Energy Shares which they own or control to vote against the Northern Territory Farm-out at the EGM.

4.3 Changes to Armour Energy Board recommendations

Each director of Armour Energy will not withdraw, revise, revoke, or make any public announcement inconsistent with the recommendation described in clauses 4.1 and 4.2 unless that director, acting in good faith, determines (after taking written legal advice) that he, is by virtue of his fiduciary or statutory duties, required to change, withdraw or modify such recommendation or make a recommendation or statement that is inconsistent with it.

5 Appointment of directors

For so long as WestSide has a Relevant Interest of at least 50% in Armour Energy and the Offer becomes or is declared unconditional, Armour Energy must use its best endeavours to promptly (and in any event within 3 Business Days) procure:

- (a) the appointment of any persons nominated by WestSide as directors of Armour Energy, so as to ensure that WestSide's nominees comprise a majority of the directors of Armour Energy; and
- (b) the resignation of any directors of Armour Energy as nominated by WestSide,

provided that WestSide will procure that its Representatives (excluding any independent directors appointed by WestSide pursuant to this clause 5) do not participate in decisions of Armour Energy in relation to the Offer.

6 Conduct of business

6.1 Overview

From the date of this agreement up to the earlier of the date a majority of persons nominated by WestSide comprise a majority of the directors of Armour Energy in accordance with clause 5 and the date this agreement is terminated, Armour Energy must (and must procure that each member of the Armour Energy Group must):

- (a) conduct its business in the ordinary and proper course and in substantially the same manner as previously conducted; and

- (b) regularly consult with WestSide on the manner of conduct of the business, including on any matters that may have an adverse impact on the integration of the businesses of WestSide and Armour Energy following implementation of the Takeover Bid.

6.2 Specific obligations

Without limiting clause 6.1 and other than with the prior written approval of WestSide or as required by this agreement, Armour Energy must (and must procure that each member of the Armour Energy Group must), during the period contemplated by clause 6.1, use all reasonable endeavours to:

- (a) **(business and assets)** maintain the condition of its business and assets in accordance with the ordinary course of its business, allowing for fair wear and tear;
- (b) **(officers and employees)** keep available the services of its Officers and employees;
- (c) **(relationships)** preserve its relationships with customers, suppliers, licensors, licensees, farm-in partners (other than AEP), joint venturers and others with whom it has business dealings;
- (d) **(change in control provisions)** identify any change in control provisions in any Material Contracts to which any member of the Armour Energy Group is a party and use reasonable efforts to seek the consents of relevant persons who have rights in respect of those provisions, to the transactions contemplated by the Takeover Bid; and
- (e) **(EGM)** to the extent the Offer is declared unconditional prior to the EGM, and the AEP Agreements have not otherwise been terminated, take any actions reasonably requested by WestSide (including signing and producing documents, getting documents completed and signed and giving instructions to its share registry) to ensure WestSide is able to vote any Armour Energy Shares validly accepted into the Offer (which, for the avoidance of any doubt, will exclude any Armour Energy Shares held in the Institutional Acceptance Facility until such time as WestSide acquires a Relevant Interest in those Armour Energy Shares in accordance with the terms of the Institutional Acceptance Facility) at the EGM in accordance with the terms and conditions of the Offer (and that no Armour Energy Shareholder who has validly accepted the Offer votes those shares, including in person or by proxy, attorney or representative).

6.3 Prohibited actions

Other than with the prior written approval of WestSide or as required by this agreement, Armour Energy must not (and must procure that each member of the Armour Energy Group does not), during the period referred to in clause 6.1:

- (a) **(acquisitions)** other than in respect of the Roma Shelf Assets, acquire, offer to acquire or agree to acquire or announce a bid or tender for, one or more companies, businesses or assets (or any legal, beneficial or economic interest or right in one or more companies, businesses or assets) for an amount in aggregate greater than \$500,000;
- (b) **(disposals)** except as expressly permitted pursuant to clause 6.4 of this agreement, dispose of, offer to dispose of or agree to dispose of:
 - (i) one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in Armour

Energy's statement of financial position as at 30 June 2015) is, in aggregate, greater than \$500,000; or

- (ii) any legal, beneficial or economic interest or right to or in connection with any mining, mineral or petroleum tenements held by the Armour Energy Group or applications therefore or any gas reserves of any member of the Armour Energy Group;
- (c) **(joint arrangements)** enter into, or offer to enter into or agree to enter into, any agreement, joint venture, partnership, farm-in agreement, farm-out agreement, management agreement or commitment which:
 - (i) would require expenditure, or the foregoing of revenue, by any member of the Armour Energy Group of an amount which is, in aggregate, more than \$500,000; or
 - (ii) involves any legal, beneficial or economic interest or right to or in connection with any mining, mineral or petroleum tenements held by any member of the Armour Energy Group or applications therefore or any gas reserves of any member of the Armour Energy Group;
- (d) **(Material Contracts)** except as expressly permitted pursuant to clause 6.4 of this Agreement and to the extent not contemplated by clauses 6.3(a) to 6.3(c) (inclusive), enter into, amend or terminate a Material Contract (other than the termination of the AEP Agreements), including, without limitation, any gas sales or supply arrangements in connection with the Roma Shelf Assets);
- (e) **(Financial Arrangements)** other than in respect of the Roma Shelf Assets Financing contemplated by clause 6.4, enter into, amend or terminate any Financial Arrangement of the Armour Energy Group or enter into any Financial Arrangement with any other entity (including by way of granting an Encumbrance).
- (f) **(EGM)** except in the event of the termination of the Northern Territory Farm-out, cancel, postpone or (except in the event of lack of quorum, unavoidable change of venue) adjourn the EGM or, except as contemplated by clause 2.2(c), withdraw, vary or amend the notice of meeting convening the EGM or any of the items of business proposed;
- (g) **(employment agreements)** except as otherwise agreed, increase the remuneration of, or pay any bonus (including under any existing or proposed employee performance bonus policy or retention bonus policy) or issue or agree to issue any securities or options (other than the issue of any Armour Energy Shares as a result of the exercise of any Unlisted Armour Energy Options issued or granted prior to the date of this agreement) to, or otherwise vary the employment agreements with, any of its directors or employees;
- (h) **(accelerate rights)** accelerate the rights of any of its directors or employees to benefits of any kind;
- (i) **(termination payments)** except as otherwise agreed, pay a director or executive a termination payment, other than as provided for in an existing employment contract in place as at the date of this agreement and a copy of which has previously been provided to WestSide;
- (j) **(agreement)** enter into, or offer to enter into, or agree to enter into (or resolve to do any of those things), a transaction that has the same economic or commercial effect as any of the things set out above; or

- (k) (announce) announce that it will do any of the matters set out above.

6.4 Roma Shelf Financing

- (a) Despite anything else in this Agreement WestSide will not withhold its consent to Armour Energy entering into the Roma Shelf Assets Financing arrangements (and such entry will not constitute a breach of this agreement or the conditions of the Takeover Bid), including without limitation, by entering into any gas supply or gas sales agreements, so long as:
 - (i) the Roma Shelf Assets Financing arrangements (including any gas supply or gas sales agreements) contain a provision entitling Armour Energy to terminate those arrangements upon the happening of a Change in Control at no cost or liability to Armour Energy (with such right able to be exercised by Armour Energy within a reasonable period after such Change in Control); and
 - (ii) Armour Energy has not given a Funding Notice to WestSide under clause 6.4(b).
- (b) During the Offer Period:
 - (i) if:
 - (A) WestSide has a Relevant Interest in at least 50.1% of Armour Energy Shares (and the Offer is otherwise unconditional); or
 - (B) DGR Global Limited makes a public "truth in takeovers" statement that it intends to support the Offer on the same basis as each director of Armour Energy (equivalent to the statements in clause 4.2(b)); and
 - (ii) an obligation arises whereby Armour Energy is required to make a payment to fund the acquisition consideration or replace environmental bonds in accordance with the Roma Shelf Assets acquisition agreements; and
 - (iii) the DGR Financing Proposal is fully drawn,

to the extent Armour Energy cannot otherwise meet its funding obligations in respect of the Roma Shelf Assets in accordance with the Roma Shelf Assets acquisition agreements (including, for the avoidance of any doubt, the funding obligations arising as a result of the replacement of the relevant environmental bonds), Armour Energy may, by notice in writing to WestSide ("**Funding Notice**"), require financing to be provided by WestSide for an amount not exceeding \$7,500,000 ("**Additional Funding**") with such funding to be used exclusively for the Roma Shelf Assets Financing.
- (c) The Additional Funding will be provided:
 - (i) on the terms set out in Annexure A; and
 - (ii) by WestSide to Armour Energy to enable Armour Energy to meet its obligations under the Roma Shelf Assets acquisition agreements, provided Armour Energy gives the Funding Notice not less than 5 Business Days prior to when the funds are required.

- (d) Where a Change in Control occurs as a result of the Takeover Bid and a right of repayment is triggered under the DGR Financing Proposal, WestSide must provide Armour Energy with such funding as is required by Armour Energy (but not exceeding \$15,000,000) to repay the funding (if any) owing to DGR Global Limited in connection with the DGR Financing Proposal ("**DGR Refinance Amount**").
- (e) The DGR Refinance Amount will be provided:
 - (i) as part of or on the same terms as the Additional Funding (whether or not the Additional Funding is actually required or drawn); and
 - (ii) by WestSide to Armour Energy within 5 Business Days of Armour Energy requesting the DGR Refinance Amount in writing.
- (f) To avoid any doubt, WestSide shall not be entitled to terminate the Offer for breach of any of the defeating conditions of the Takeover Bid which may be enlivened as a result of entry into the Roma Shelf Assets Financing arrangements in accordance with clause 6.4(a).

6.5 Lakes Oil shares

- (a) Despite anything in this Agreement, Armour Energy may announce that, subject to the Corporations Act and the Listing Rules, it intends to distribute all or part of the shares that Armour Energy holds in Lakes Oil NL to its shareholders as an in specie dividend ("**Lakes Dividend**"), provided the Offer becomes unconditional.
- (b) The record date in respect of the Lakes Dividend is intended to be the Business Day prior to the Offer becoming unconditional (subject to the receipt of any necessary ASX waiver or determination) or otherwise, in accordance with the Listing Rules ("**Record Date**").
- (c) Notwithstanding WestSide's entitlement to all Rights upon the Offer becoming unconditional, should WestSide be paid or otherwise receive the Lakes Dividend, WestSide will hold such dividend on trust for the Armour Energy Shareholders as at the Record Date, and pay the Lakes Dividend to those Armour Energy Shareholders in due course.
- (d) The announcement of the payment of the Lakes Dividend in accordance with clause 6.5(a) (and any other actions ancillary to this, including without limitation, the setting of the Record Date or the determination to pay the Lakes Dividend) shall not entitle WestSide to terminate the Offer for breach of any of the defeating conditions of the Takeover Bid.
- (e) Subject to the constitution of Armour Energy, the Corporations Act and the Listing Rules, WestSide will do all things necessary or desirable to give effect to the Lakes Dividend, however this will not require WestSide to procure that Armour Energy prepare, lodge or publish any regulated disclosure document to give effect to the Lakes Dividend.

7 Warranties

7.1 WestSide warranties

WestSide represents and warrants to Armour Energy that as at the date of this agreement:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;

- (b) the execution and delivery of this agreement by WestSide has been properly authorised by all necessary corporate action and WestSide has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement;
- (c) (subject to the laws generally affecting creditors' rights and the principles of equity) this agreement constitutes legal, valid and binding obligations on it and execution of this agreement will not result in a breach of or default under WestSide's constitution or any agreement, deed, order, rule or regulation to which WestSide or any of its Subsidiaries is a party or to which they are bound; and
- (d) it has access to sufficient financial reserves to fund the Offer in its entirety (having regard to its commitment arising as a result of the increased Offer Price and the acquisition or cancellation (as the case may be) of the Unlisted Armour Energy Options).

7.2 Armour Energy warranties

Armour Energy represents and warrants to WestSide as at the date of this agreement that:

- (a) each member of the Armour Energy Group is a validly existing corporation registered under the laws of its place of incorporation;
- (b) the execution and delivery of this agreement by Armour Energy has been properly authorised by all necessary corporate action and Armour Energy has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement;
- (c) (subject to the laws generally affecting creditors' rights and the principles of equity) this agreement constitutes legal, valid and binding obligations on it and execution of this agreement will not result in a breach of or default under Armour Energy's constitution or any agreement, deed, writ, injunction, order, rule or regulation to which Armour Energy or any of its Subsidiaries is a party or to which they are bound;
- (d) none of Armour Energy or any of its Related Bodies Corporate or any of its or their Representatives are engaged in any discussions or negotiations in respect of any Competing Transaction, or, as at the date of this agreement, have ceased such discussions or negotiations; and
- (e) if:
 - (i) Armour Energy Shareholders vote against the Northern Territory Farm-out at the EGM ("**EGM Failure**"); and
 - (ii) as a result of the EGM Failure, the AEP Agreements are terminated,

no residual liability will arise in respect of such termination for Armour Energy.

8 Announcements

- (a) Subject to clause 8(b), each party must use its best endeavours to consult with the other party prior to making any public announcements in connection with this agreement or the Takeover Bid (other than the Announcement).

- (b) Where a party is required by any applicable law or stock exchange rules to make any announcement or make any disclosure relating to matters the subject of the Takeover Bid (including any supplementary Bidder's Statement or supplementary Target's Statement), it may do so only after it has, to the maximum extent possible in the circumstances:
 - (i) given the other party as much notice as is reasonably practicable in the context of any deadlines imposed by law or a Regulatory Authority; and
 - (ii) consulted with the other party as to the content of that announcement or disclosure.

9 Termination

9.1 Termination rights

This agreement may be terminated by either party by notice to the other party:

- (a) if the other party is in material breach of this agreement and that breach is not remedied by that other party within five Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;
- (b) if WestSide withdraws the Takeover Bid (or the Takeover Bid lapses) as permitted by the Corporations Act for any reason (other than in respect of the circumstances the subject of the notice contemplated by clause 2.1(b) of this agreement);
- (c) if there is a material breach of a representation or warranty contained in clause 7.1 or 7.2 (as the case may be);
- (d) if a court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Takeover Bid;
- (e) if any member of the Armour Energy Group becomes Insolvent; or
- (f) a Superior Proposal is made or publicly announced for Armour Energy by a third party.

9.2 Termination by WestSide

This agreement may be terminated by WestSide by notice in writing to Armour Energy if:

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

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

9.3 Effect of termination

If this agreement is terminated by either party under this clause 9:

- (a) each party will be released from its obligations under this agreement except its obligations under clause 11.11;
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement;
- (c) in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or effect, including, without limitation, any further obligations in respect of the Takeover Bid; and
- (d) the parties agree that WestSide will be entitled to withdraw the Offer (or allow it to lapse) and Armour Energy agrees, at its own expense, to do anything WestSide asks (such as providing its consent to ASIC) to permit WestSide to withdraw the Offer (or allow it to lapse), and will not oppose any such action by WestSide.

9.4 Reliance on representations and warranties

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation, warranty or other inducement to it to enter into this agreement, except for representations, warranties or inducements expressly set out in this agreement.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation, warranty or other inducement by or on behalf of any other party, except for any representation, warranty or inducement expressly set out in this agreement.

10 Notices and other communications

10.1 Form - all communications

Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this agreement must be:

- (a) in writing;
- (b) signed by the sender (if an individual) or an Authorised Officer of the sender; and
- (c) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

10.2 When effective

Communications take effect from the time they are received or taken to be received under clause 10.3 (whichever happens first) unless a later time is specified.

10.3 When taken to be received

Communications are taken to be received:

- (a) if sent by post, three days after posting (or seven days after posting if sent from one country to another); or
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

10.4 Receipt outside Business Hours

Despite clauses 10.2 and 10.3, if communications are received or taken to be received under clause 10.3 after 5.00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day and take effect from that time unless a later time is specified.

11 Miscellaneous

11.1 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this agreement expressly states otherwise.

11.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

11.3 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this agreement.

11.4 Approvals and consents

By giving its approval or consent, a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

11.5 Conflict of interest

The parties' rights and remedies under this agreement may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

11.6 Remedies cumulative

The rights and remedies in this agreement are in addition to other rights and remedies given by law independently of this agreement.

11.7 Variation and waiver

A provision of this agreement or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

11.8 No merger

The warranties and undertakings in this agreement do not merge on completion of any transaction contemplated by this agreement.

11.9 Further steps

Each party agrees, at its own expense, to do anything the other party asks (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (a) to bind the party and any other person intended to be bound under this agreement; or
- (b) to show whether the party is complying with this agreement.

11.10 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this agreement or any part of it.

11.11 Costs

The parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this agreement and other related documentation, except for stamp duty.

11.12 Stamp duty

WestSide agrees to pay all stamp duty (including fines and penalties) payable and assessed on this agreement or in respect of a transaction evidenced by this agreement.

11.13 Entire agreement

This agreement constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

11.14 Assignment

A party may not assign or otherwise deal with its rights under this agreement or allow any interest in them to arise or be varied in each case, without the prior written consent of the other party.

11.15 Governing law

This agreement is governed by the law in force in the place specified in the Details. Each party submits to the non-exclusive jurisdiction of the courts of that place.

11.16 Counterparts

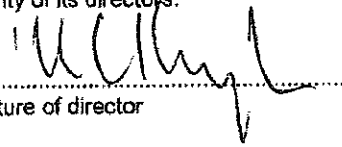
This agreement may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.

EXECUTED as an agreement.

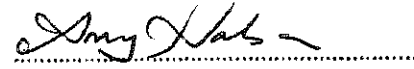
Signing page

DATED: 15 October 2015

EXECUTED by WESTSIDE CORPORATION LIMITED in accordance with section 127(1) of the Corporations Act 2001 (Cth) by authority of its directors:


Signature of director

W. C. H. G. H. S.
Name of director (block letters)


Signature of ~~director~~/company secretary*
*delete whichever is not applicable

Amy Hoban
Name of ~~director~~/company secretary* (block letters)
*delete whichever is not applicable

EXECUTED by ARMOUR ENERGY LIMITED in accordance with section 127(1) of the Corporations Act 2001 (Cth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable

Signing page

DATED: 15 October 2015

EXECUTED by **WESTSIDE CORPORATION LIMITED** in accordance with section 127(1) of the Corporations Act 2001 (Cth) by authority of its directors:

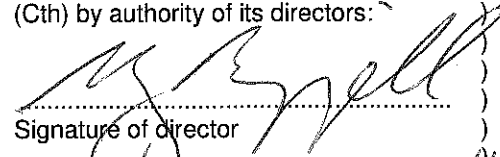
.....
Signature of director

.....
Name of director (block letters)

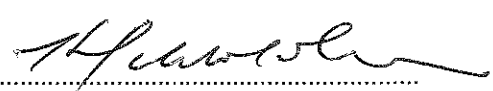
.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable

EXECUTED by **ARMOUR ENERGY LIMITED** in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:


.....
Signature of director

Stephen Grant Bizzell
.....
Name of director (block letters)


.....
Signature of ~~director~~/company secretary*
*delete whichever is not applicable

MARK SCHUMANN
.....
Name of ~~director~~/company secretary* (block letters)
*delete whichever is not applicable

Bid Implementation Agreement

Annexure A Announcement

(separately attached in agreed form)

Bid Implementation Agreement

Annexure B Term Sheet

(separately attached in agreed form)

FINANCING TERM SHEET

This term sheet constitutes the terms of the proposed unsecured bridging financing facility for Armour Energy Limited ABN: 60 141 198 414 by Westside Corporation Limited (ABN: 74 117 145 516). The parties acknowledge these terms will be attached to any Bid Implementation Agreement entered into between the parties.

FACILITY	
Borrower	Armour Energy Limited (ABN: 60 141 198 414) (Armour).
Lender	WestSide Corporation Limited (ABN: 74 117 145 516) (Westside).
Facility Limit	<p>Up to A\$22,500,000 comprising:</p> <p>(a) During the Offer Period:</p> <ul style="list-style-type: none"> • if: <ul style="list-style-type: none"> • WestSide has a Relevant Interest in at least 50.1% of Armour Energy Shares (and the Offer is otherwise unconditional); or • DGR Global Limited makes a public “truth in takeovers” statement that it intends to support the Offer on the same basis as each director of Armour Energy (equivalent to the statements in clause 4.2(b) of the Bid Implementation Agreement); and • the DGR Finance Facility is fully drawn, <p>up to \$7,500,000 to the extent required to (i) fund the acquisition consideration of the Roma Shelf Assets Agreements; and (ii) to pay any Environmental Bonds following the completion of the Roma Shelf Assets Agreements, in each case in accordance with the terms of the Roma Shelf Assets Agreements (Roma Shelf Assets Tranche); and</p> <p>(b) Up to \$15,000,000 to repay the DGR Finance Facility (DGR Finance Facility Tranche), provided the DGR Financing Facility has only been used to (i) fund the acquisition consideration of the Roma Shelf Assets Agreements; and (ii) to pay any Environmental Bonds following the completion of the Roma Shelf Assets Agreements, in each case in accordance with the terms of the Roma Shelf Assets Agreements.</p>
Interest	13% pa payable monthly in arrears and calculated on the principal owing from time to time.
Purpose	<p>Bridging finance (to the extent required) to:</p> <p>(a) in the case of the Roma Shelf Assets Tranche, (i) fund the acquisition consideration of the Roma Shelf Assets Agreements;</p>

	<p>and (ii) to pay any Environmental Bonds following the completion of the Roma Shelf Assets Agreements; and</p> <p>(b) in the case of the DGR Finance Facility Tranche, repay the DGR Finance Facility, provided the DGR Financing Facility has only been used to (i) fund the acquisition consideration of the Roma Shelf Assets Agreements; and (ii) to pay any Environmental Bonds following the completion of the Roma Shelf Assets Agreements, in each case in accordance with the terms of the Roma Shelf Assets Agreements.</p>
Availability of Proceeds	<p>Westside shall on the satisfaction of the Conditions Precedent provide such funds in accordance with Drawdown Notices to be issued by Armour (Drawdown Notices).</p> <p>Each Drawdown Notice shall specify;</p> <p>(a) The amount of funding required;</p> <p>(b) The date or dates that funding is required (with not less than 5 business days' written notice to be given to Westside); and</p> <p>(c) The purpose for which such funding is required (including as to which tranche).</p>
Repayment	<p>All moneys owing under the Facility shall be repayable on the earlier of:</p> <p>(a) the Maturity Date;</p> <p>(b) in the event that Westside does not acquire a Relevant Interest in at least 50.1% of Armour shares pursuant to the Takeover Bid and otherwise declare the Takeover Bid unconditional, the first business day occurring three (3) months after the Takeover Bid lapses or is otherwise withdrawn; and</p> <p>(c) the business day after a Change of Control occurring in respect of Armour to a party other than Westside.</p>
Drawings	<p>Westside shall provide funds as required by Armour, subject to:</p> <p>(a) receipt by Westside of a Drawdown Notice prior to the Bid Implementation Agreement being terminated or the Takeover Bid otherwise being withdrawn or allowed to lapse; and</p> <p>(b) a repayment obligation not having been triggered as described under "Repayment" above.</p>
Maturity Date	<p>12 months from provision of the first Drawdown under the Transaction Documentation (or earlier in the event Westside acquires a Relevant Interest in at least 90% of Armour shares).</p>
Nature of Facility	<p>The Facility shall be unsecured.</p>

Repayment of DGR Finance Facility	Within 5 business days of Westside acquiring a relevant interest in 50.1% of Armour pursuant to the Takeover Bid and the Takeover Bid otherwise being declared unconditional, Westside to provide such funds as may be required by Armour under the Facility to enable Armour to repay the DGR Finance Facility.
Transaction Documentation	<p>Armour and Westside acknowledge and agree that it is intended to replace this Term Sheet with a Facility Agreement (Transaction Documentation) which Transaction Documentation shall;</p> <p>(a) be in a form in common use by banking and finance companies for similar types of funding in Australia;</p> <p>(b) contain such provisions as are commonly found in facility agreements in common use for similar types of funding by banking and finance companies in Australia and otherwise contain terms which are consistent with this Term Sheet; and</p> <p>(c) be prepared by the lawyers for Westside.</p>
FEES AND COSTS	
Commitment Fee	0.5% of Facility Limit payable within 5 Business Days of satisfaction or waiver of all of the Conditions Precedent contained in the Transaction Documentation and the Facility is available to be drawn by Armour.
Transaction Costs	Each party will bear their own legal and other costs, fees and expenses in connection with the preparation, execution and completion of this Term Sheet and the Transaction Documentation.
CONDITIONS PRECEDENT	
Conditions Precedent to drawdown under the Facility	<p>Bid Implementation Agreement being entered into between the parties.</p> <p>For the Roma Shelf Assets Tranche:</p> <ul style="list-style-type: none"> • WestSide has a Relevant Interest in at least 50.1% of Armour Energy Shares (and the Offer is otherwise unconditional) or DGR Global Limited makes a public “truth in takeovers” statement that it intends to support the Offer on the same basis as each director of Armour Energy (equivalent to the statements in clause 4.2(b) of the Bid Implementation Agreement; • a funding obligation crystallises under the Roma Shelf Assets Acquisitions Agreements during the Offer Period; • the DGR Finance Facility has been fully drawn; and • the Bid Implementation Agreement has not been terminated or the Takeover Bid has not otherwise been withdrawn or allowed to lapse. <p>For the DGR Finance Facility Tranche:</p> <ul style="list-style-type: none"> • Westside acquiring a Relevant Interest in 50.1% of Armour pursuant to the Takeover Bid and the Takeover Bid otherwise being declared unconditional; and

	<ul style="list-style-type: none"> • Armour providing evidence to WestSide that the DGR Finance Facility has only been used to (i) fund the acquisition consideration of the Roma Shelf Assets Agreements; and (ii) to pay any Environmental Bonds following the completion of the Roma Shelf Assets Agreements, in each case in accordance with the terms of the Roma Shelf Assets Agreements.
Other Covenants	<p>Armour agrees that during the term of the Facility not to;</p> <p>(a) enter any other debt facilities or financing arrangements in respect of the Roma Shelf Assets including without limitation, by entering into any gas supply or gas sales agreements, unless (but not if a Drawdown Notice has already been issued by Armour) they contain a provision entitling Armour Energy to terminate those arrangements upon the occurrence of a Change In Control, in accordance with the terms of the Bid Implementation Agreement; or</p> <p>(b) grant security over its assets without the prior consent of Westside.</p>
EVENTS OF DEFAULT AND CHANGE OF CONTROL	
Events of Default	<p>The Transaction Documentation shall contain all events of default usual for a facility of this nature and to include:</p> <ul style="list-style-type: none"> • Non-payment; • Failure to rectify a breach; • Insolvency; • Business cessation.
Change of Control	<p>In the event that there is a Change in Control in Armour (other than to Westside), Westside shall be entitled to elect by written notice to require repayment of the Facility and any outstanding interest and fees due.</p>
Confidentiality	<p>The parties shall keep the contents of this Term Sheet confidential unless otherwise agreed or unless disclosure is required by law.</p>
Governing law and Forum	<p>This Term Sheet is governed by and will be construed in accordance with the laws of Queensland.</p> <p>The parties submit to the non exclusive jurisdiction of the courts of Queensland.</p>
Acceptance	<p>This Term Sheet shall take effect upon execution by the parties of the Bid Implementation Agreement.</p>
Definitions	<p>In this Term Sheet, in addition to the terms defined throughout this Term Sheet above, the following terms shall have the meanings ascribed to them below:</p>

	<ul style="list-style-type: none"> • Bidder's Statement means the replacement bidder's statement lodged with ASIC by Westside in respect of the Takeover Bid on 14 September 2015, and any supplementary bidder's statement. • Business Day means a day that is not a Saturday, Sunday or public holiday in Brisbane, and Business Days shall have a corresponding meaning; • Corporations Act means the Corporations Act 2001 (Cth); • DGR Finance Facility has the same meaning as the term "Facility" in the Target's Statement; • Drawdown Notice means a notice issued to Westside by Armour requesting a draw down under the Facility, which notice cannot be for an amount greater than the Facility Limit for either tranche, nor be for an amount which when aggregated with the amount of all funds previously drawdown under the Facility exceeds the Facility Limit (including under either tranche); • Change of Control means, for a corporation, a change in: <ul style="list-style-type: none"> ○ control of the composition of the board of directors of the corporation; ○ control of more than half the voting rights attaching to shares in the corporation; or ○ control of more than half the issued shares of the corporation (not counting any share which carries no right to participate beyond a specified amount in the distribution of either profit or capital); • Facility means the bridging facility provided by Westside to Armour in accordance with this Term Sheet; • Facility Term means period of time during which Armour may drawdown funds under the Facility in accordance with the provisions of this Term Sheet; • Relevant Interest has the meaning ascribed to that term in s 9 Corporations Act; • Roma Shelf Assets Agreements has the meaning given in the Target's Statement; • Takeover Bid means the off-market takeover bid by Westside for all Armour shares made pursuant to the Bidders Statement and in accordance with Chapter 6 of the Corporations Act; • Target's Statement means the target's statement lodged with ASIC by Armour in respect of the Takeover Bid on 7 October 2015, and any supplementary target's statement; and
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	<ul style="list-style-type: none"> • Term Sheet means this term sheet.
<p>Legal Effect</p>	<p>(a) Armour and Westside agree that this Term Sheet does and is intended to constitute binding legal obligations on each of Westside and Armour upon execution of the Bid Implementation Agreement and shall be capable of operating in full force and effect in accordance with its terms notwithstanding termination of the Bid Implementation Agreement (but only to the extent a Drawdown Notice has been issued prior to that time).</p> <p>(b) Notwithstanding that it is the intention of the parties to be bound by this Term Sheet upon the execution by them of the Bid Implementation Agreement, it is also the intention of the parties that they shall reflect the principles set out in this Term Sheet in one or more of the documents constituting the Transaction Documentation, which when executed shall supersede and replace this Term Sheet.</p> <p>(c) Armour and Westside agree to use all reasonable endeavours to finalise the preparation and execution of the Transaction Documentation as soon as reasonably practicable.</p> <p>(d) If there is any inconsistency between this Term Sheet and the Bid Implementation Agreement, the Bid Implementation Agreement prevails.</p>