



## ASX RELEASE

21 May 2014

### CHAIRMAN'S SPEECH AND PRESENTATION MATERIAL FOR SCHEME MEETING

#### Introduction

Good morning ladies and gentlemen. My name is Jon Stewart and I am the Executive Chairman of Aurora Oil & Gas. On behalf of the Board of Directors, it is my pleasure to welcome you all to this Scheme Meeting and to thank you all for your support for Aurora.

This meeting is being held pursuant to orders of the Federal Court of Australia made on 14 April and 14 May 2014 and has been convened to consider a proposed Scheme of arrangement between Aurora and its members. In accordance with those Federal Court orders, I shall Chair this meeting.

Your directors have the relevant interests in Aurora shares, options and performance rights, and interests in the Scheme, shown on slides 2 and taken from the Scheme Booklet as amended by the letter released on ASX 14 May and this morning.

Your directors intend to vote all the Aurora Shares they control in favour of the Scheme, in the absence of a superior proposal.

Your directors have recommended and continue to recommend shareholders vote in favour of the Scheme, in the absence of a superior proposal.

#### Reason for the meeting

Before we proceed with the formal business of today's meeting, I would like to provide you with an overview of the transaction and highlight why we believe this transaction is in the best interests of Aurora shareholders.

On 7 February 2014, Aurora announced that it had entered into a Scheme Implementation Deed with Baytex Energy Corp., under which it is proposed that its subsidiary Baytex Energy Australia will acquire 100% of the ordinary shares in Aurora by a Scheme of Arrangement.

You would recently have received a Scheme Booklet containing a Notice of Meeting. The Scheme Booklet also contained:

- details of the proposed transaction and factors relevant to your voting considerations;
- information about Baytex;
- the recommendation of your Board; and
- a report from Grant Samuel, the independent expert commissioned by the Company to opine on the transaction and prepare a report for the benefit of shareholders.

On 13 May 2014, Baytex announced it was increasing its initial offer to AU\$4.20 cash (or the Canadian dollar equivalent) per Aurora share to all Aurora shareholders, the Revised Scheme.

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Also on 13 May 2014, Harbour Advisors (a business unit of CI Investments Inc.) and Stirling Global Value Fund Inc. together holding approximately 17.4 percent of Aurora shares, stated they intend to vote their Aurora shares in favour of the Revised Scheme in the absence of a superior proposal.

Aurora released a letter to shareholders and Revised Notice of Meeting reflecting the Revised Scheme. You will have seen that the Revised Notice of Meeting proposes two resolutions. The First Scheme Resolution proposes amending the references in the original Scheme from "\$4.10" to "\$4.20" to reflect the proposed increase in consideration, revising the terms of the original Scheme proposal. The Second Scheme Resolution proposes that the Revised Scheme be approved.

For the Revised Scheme to proceed and become effective, the First Scheme Resolution must be passed by a simple majority, whereas the Second Scheme Resolution must be approved by:

- a majority in number (more than 50%) of Aurora Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate Aurora Shareholders, by a corporate representative); and
- at least 75% of the total number of votes cast on the Second Scheme Resolution at the Scheme Meeting.

**On 14 May the Federal Court ordered that the Scheme Meeting should proceed in accordance with the Revised Notice of Meeting and the Court's orders of 14 April 2014 and 14 May. The Court has also ordered that valid proxy forms for the Scheme Meeting that have been lodged by any Aurora Shareholder are deemed still to be valid unless revoked, and members who have voted in favour of the Scheme are deemed to have voted in favour of the two resolutions in the Revised Notice of Meeting.** As such, we have convened this meeting to consider, and if thought fit, to pass the following Scheme Resolutions.

- (1) That the Scheme of Arrangement proposed between Aurora and its shareholders, as contained in and more particularly described in the Scheme Booklet (**Scheme**), is amended by:
  - a. Deleting the reference to "\$4.10" in clause 5.1 of the Scheme and replacing it with a reference to \$4.20; and
  - b. Amending the definition of "Scheme Consideration" in Schedule 1 of the Scheme by deleting the reference to "\$4.10" and replacing it with a reference to \$4.20, (**Revised Scheme**)
- (2) That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act, the Revised Scheme is agreed to (with or without any modifications or conditions required by the Court), and subject to approval of the Revised Scheme by the Court, the board of directors of Aurora is authorised to implement the Revised Scheme with any such modifications or conditions"

If the Revised Scheme becomes effective Aurora shareholders will receive AU\$4.20 cash (or the Canadian dollar equivalent) per Aurora share.

### **Outline of the Scheme**

The Scheme Booklet dated 14 April 2014 supplemented by the letter to shareholders dated 15 May, which was sent to all Aurora shareholders, contains the Aurora Board's unanimous recommendation to vote in favour of the Scheme in the absence of a superior proposal. The

Booklet contains the Independent Expert's Report by Grant Samuel, which supports the Board's recommendation. Additional copies of the Scheme Booklet have been made available today, as well as copies of the documents prepared and issued last week relating to the price increase, being the:

- Second Deed of Variation to the Scheme Implementation Deed;
- Amending Deed Poll;
- Letter to shareholders; and
- Revised Notice of Meeting.

As detailed in the Scheme Booklet, the Scheme is subject to a number of customary conditions and will only be implemented if all those conditions have been met. One of these conditions include that the Second Scheme Resolution be passed by the Requisite Majorities of Aurora shareholders. If Aurora shareholders approve the Revised Scheme, then Aurora intends to seek Court approval of the Revised Scheme in the Federal Court of Australia in Perth on 26 May 2014.

If the Revised Scheme becomes effective, all of your Aurora shares will be transferred to Baytex Australia under the Revised Scheme, and you will receive the Scheme Consideration of AU\$4.20 cash (or the Canadian dollar equivalent) per Aurora share. The Revised Scheme is expected to become effective on 11 June 2014.

### **Reasons to vote in favour of Revised Scheme**

The Aurora Board of Directors believe that the Revised Scheme is in the best interests of Aurora Shareholders in the absence of a superior proposal. As such, and given no superior proposal has been received, all the Aurora Directors continue to recommend that you vote in favour of the Revised Scheme and intend to vote all the Aurora Shares that they control in favour of the Revised Scheme. The Directors' Shares amount to approximately 5.5% of the total number of Aurora Shares on issue.

In support of this recommendation, we have taken the following into account:

- First, the Revised Scheme represents a substantial premium to the Aurora trading price. The Revised Scheme Consideration of AU\$4.20 represents a premium of 60% to the Aurora closing share price of \$2.62 on 6 February 2014, just prior to the announcement of the proposed Scheme. In addition, the Revised Scheme Consideration represents a substantial premium to the prices at which Aurora Shares have traded over an extended period of time.
- Second, the Independent Expert, Grant Samuel, has concluded that the transaction (at the original AU\$4.10) is in the best interests of Aurora Shareholders. Grant Samuel has assessed the full underlying value of Aurora at between \$3.76 and \$4.29 per Aurora Share and concluded that the transaction (even at the original AU\$4.10) is fair and reasonable, and in the best interests of Aurora Shareholders.
- Third, Aurora shares are likely to trade below the Revised Scheme Consideration in the event that the Revised Scheme does not proceed. While Aurora has an attractive portfolio of assets and growth opportunities, your directors believe that the Aurora Share price is likely to fall if the Revised Scheme is not implemented and no Superior Proposal emerges. Since the announcement of the Scheme, no Superior Proposal has emerged.
- Fourth, the Revised Scheme Consideration delivers certain cash value to Aurora shareholders.

## **Voting procedure and call for a vote**

I would now like to explain the voting procedure for the Revised Scheme and to call for a vote on the Resolutions.

For the Revised Scheme to proceed and become effective, the First Scheme Resolution must be passed by a simple majority, whereas the Second Scheme Resolution must be approved by:

- a majority in number (more than 50%) of Aurora Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate Aurora Shareholders, by a corporate representative); and
- at least 75% of the total number of votes cast on the Second Scheme Resolution at the Scheme Meeting.

In order to determine the votes accurately, I will call for a poll to be conducted in respect of the each Resolution. Computershare will act as scrutineer and report the results of voting to me.

The Corporations Act requires that before the vote is taken the Chair must inform the meeting whether any proxy votes have been received and how the proxy votes are to be cast. As such, slide 4 shows the proxy votes received by Aurora and how they are to be cast.

I would now like to summarise the voting procedure for the Resolutions.

If there is any person present who believes they are entitled to vote but has not registered to vote, would you please raise your hand for assistance. The persons entitled to vote on this poll are all shareholders, representatives and attorneys of shareholders, and proxyholders who hold green admission cards. On the reverse of your green admission card is your voting paper and instructions.

I will now go through the procedures for filling in the voting papers.

Shareholders need to mark a box beside the motion to indicate how you wish to cast your votes. Proxyholders have attached to their admission card a Summary of Proxy Votes which details the voting instructions, for business items on the appointment documents in your favour. By completing the voting paper, when instructed to vote in a particular manner, you are deemed to have voted in accordance with those instructions. You must vote only in accordance with instructions on the proxies already lodged with Computershare.

In respect of any open votes a proxyholder may be entitled to cast, you need to mark a box beside the motion to indicate how you wish to cast your open votes. Proxyholders should refer to the Summary of Proxy Votes form attached to your voting paper for further information. Proxies which do not direct how the vote is to be cast may be voted in favour or against each Resolution at the discretion of the proxy. In addition, open proxies may be given in favour of me as Chairman of the meeting. As Chairman, I will cast any such open proxy votes given to me in favour of the Resolutions.

## **Discussion of the Resolutions**

The Resolutions are now open for discussion. Only those holding a green admission card are able to vote and ask questions at today's meeting. If you wish to speak or ask questions in relation to the Resolutions, please raise your admission card and wait for me to acknowledge you. Before you



speak, please identify yourself and, if you are a proxy, attorney or representative, state whom you are representing.

I now put the Resolutions to a vote and call for a poll to be taken.

The counting of the votes has now been completed.

The results will be lodged with ASX as soon as possible.

The outcome of the Court hearing on 26 May 2014 will be announced to the ASX on that date, following the Court hearing.

I declare this meeting closed and I thank you for your attendance and support of Aurora.

### **Aurora information line**

Shareholders can contact the Aurora information line for further information relating to the Scheme on 1800 095 654 (within Australia) or +61 2 8767 1004 (outside Australia) Monday to Friday between 6.30am and 5.30pm (Perth time).

If shareholders have questions regarding the number of shares they hold or how to vote, please contact Aurora's share registry on 1300 455 198 (within Australia) or +61 3 9415 4163 (outside Australia) Monday to Friday between 6.30am and 5.00pm (Perth time).

### **For further information, please contact**

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### **About Aurora**

Aurora is an Australian and Toronto listed oil and gas company active in the over-pressured liquids rich region of the Eagle Ford shale in Texas, United States. Aurora is engaged in the development and production of oil, condensate and natural gas in Karnes, Live Oak and Atascosa counties in South Texas. Aurora participates in approximately 80,200 highly contiguous gross acres in the heart of the trend, including approximately 22,200 net acres within the Sugarkane Field in the over-pressured and liquids core of the Eagle Ford.



# Scheme Meeting

## May 2014

# Chairman's Address

Welcome

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# Aurora Shares, Options, Performance Rights Transaction and retention payments

Director / Executive Officer	Number of Aurora Shares	Number of Aurora Options	Number of Aurora Performance Rights	Number of Aurora Performance Rights for which consideration will be provided <sup>(1)</sup>	Consideration to be received for cancellation of Performance Rights A\$	Consideration to be received for cancellation of Options A\$	Transaction payments	Retention payments
Jonathan Stewart	19,831,959	None	505,561	464,813	\$1,952,215	Nil	A\$479,336	A\$220,548
Douglas E. Brooks	97,173	750,000	302,538	285,450	\$1,198,890	\$300,000	US\$444,435	US\$213,500
Graham Dowland	2,257,463	1,050,000	142,789	130,727	\$549,053	\$2,467,500	A\$283,783	A\$128,012
John Atkins	20,000	500,000	None	None	Nil	\$327,500	Nil	Nil
Fiona Harris	150,000	500,000	None	None	Nil	\$385,000	Nil	Nil
Bill Molson	1,512,390	500,000	None	None	Nil	\$385,000	Nil	Nil
Alan Watson	1,050,000	500,000	None	None	Nil	\$385,000	Nil	Nil
David Lucke <sup>(1)</sup>	1,893	300,000	111,985	111,985	\$470,337	\$241,000	Nil	Nil
Michael L. Verm	39,723	1,000,000	159,279	124,178	\$521,548	\$380,500	US\$70,000	US\$122,788
Darren Wasylucha	19,721	750,000	140,336	119,919	\$503,660	\$580,000	CAD\$100,000	CAD\$95,989
P. Grenville Schoch <sup>(2)</sup>	6,196,554	750,000	None	None	Nil	\$1,762,500	Nil	Nil

- (1) Mr Lucke resigned as Chief Financial Officer of Aurora on or about 7 March 2014. Mr Lucke's holdings set out above are to the best of Aurora's knowledge as of the date of the Scheme Booklet.
- (2) Mr Schoch resigned as an Aurora Director on 6 February 2014. Mr Schoch's holdings set out above are to the best of Aurora's knowledge as of the date of the Scheme Booklet.
- (3) Note: the number of Aurora Performance Rights for which Aurora Directors/executive officers will receive consideration under the cancellation deeds may be lower than the number of Aurora Performance Rights held by such Aurora Director/executive officer as set out in Section 8.2 of the Scheme Booklet. This is because not all outstanding Aurora Performance Rights will vest or otherwise be eligible to be cancelled under the cancellation deeds.

# Formal business of meeting

## Scheme resolutions

To consider and, if thought fit, to pass the following scheme resolutions:

1

“That the scheme of arrangement proposed between Aurora and its Shareholders, as contained in and more particularly described in the Scheme Booklet (**Scheme**), is amended by:

a

deleting the reference to “\$4.10” in clause 5.1 of the Scheme and replacing it with a reference to \$4.20; and

b

amending the definition of “Scheme Consideration” in Schedule 1 of the Scheme by deleting the reference to “\$4.10” and replacing it with a reference to \$4.20.

**(Revised Scheme)”**

2

“That pursuant to and in accordance with the provisions of section 411 of the Corporations Act, the Revised Scheme is agreed to (with or without any modifications or conditions required by the Court) and, subject to approval of the Revised Scheme by the Court, the board of directors of Aurora is authorised to implement the Revised Scheme with any such modifications or conditions.”

## Formal business of meeting (cont'd)

	Total for	% of votes cast in favour	Total against	Open	Abstain	Total proxy votes
<b>1.</b> <i>Amendment to Scheme of Arrangement</i>	265,629,053	87.49%	36,889,461	1,087,168	600,367	304,206,049
<b>2.</b> <i>Scheme Resolution</i>	265,629,053	87.49%	36,889,461	1,087,168	600,367	304,206,049

**Close of meeting**

**Thank you**