



14 September 2017

Dear Option Holder

Non-Renounceable Entitlement Offer - Notice to Option Holders

This letter is to notify you that Armour Energy Limited (**Armour Energy** or the **Company**) today announced that it is seeking to raise approximately \$4,256,202 (before costs) via a pro-rata non-renounceable entitlement offer of approximately 56,002,662 new fully paid ordinary shares (**New Shares**) with an offer ratio of 1 New Share for every 6 Shares held on the Record Date of 15 September 2017, at an offer price of 7.6 cents (\$0.076) per New Share (**Entitlement Offer**), such Offer to be made pursuant to Section 708AA of the *Corporations Act 2001 (Cth)*.

The Entitlement Offer is fully underwritten by Bizzell Capital Partners Pty Ltd, an entity controlled by Armour Director Stephen Bizzell. Full details of the underwriting arrangements are outlined in the Offer Booklet which will be sent to eligible shareholders and published as a market announcement.

Option Holders

Holders of options are advised that eligibility for participation in the Entitlement Offer is only available to shareholders of the Company, as there are no participating rights or entitlements inherent in the options themselves. Holders of shares *and* options are eligible to participate to the extent of their shareholding. Holders of options may only participate in the Entitlement Offer following the exercise of their options, and if they have a registered address in Australia, New Zealand, Singapore, the British Virgin Islands or Hong Kong (**Prescribed Jurisdictions**).

Option holders have the ability to exercise their options prior to the Record Date (being 19 September 2017, as outlined in the below timetable) which will entitle them to participate in the Entitlement Offer. The relevant paperwork for the exercise of options can be obtained from the Company Secretary, Mr Karl Schlobohm (ph: 07-3303 0661; kschlobohm@armourenergy.com.au).

However, option holders should note that, at the time of writing, the Company's current share price is well below the Company's current range of option exercise prices. **If you hold only options in the Company and do not wish to participate in the Entitlement Offer (in respect of your options) you do not need to take any action.**

If however, you are also a current shareholder of the Company, you should refer to the information below and to any further information sent to you in the mail.

Purpose of the Offer

It is proposed that the funds raised from the Entitlement Offer and Additional Placement will be used to fund the re-commissioning and re-start activities at the Company's Kincora Project in Queensland, fund other growth initiatives, pay creditors, provide additional working capital, and fund the costs of the Entitlement Offer.

Offer Document and Offer Details

Armour Energy does not require shareholder approval in relation to the Entitlement Offer. The Company will prepare and lodge an Offer Booklet with the ASX in relation to the Entitlement Offer. The Offer Document will be despatched to Eligible Shareholders on 22 September 2017.

The Entitlement Offer is non-renounceable, which means that rights to participate in the Entitlement Offer cannot be sold, and therefore to the extent that shareholders entitled to participate in the Entitlement Offer do not take up their entitlement, they will not receive any value in respect of those entitlements not taken up. Eligible shareholders may also apply for additional New Shares over and above their entitlement.

The New Shares issued under the Entitlement Offer will rank equally in all respects from the date of allotment with existing fully paid ordinary shares. Fractional entitlements will be rounded down to the nearest whole New Share.

Timetable

The proposed timetable for the Offer is set out in the table below:

Announcement of Entitlement Offer and Offer Booklet and Appendix 3B lodged with ASX	14 September 2017 (pre-market open)
Notice of Entitlement Offer sent to Option Holders	14 September 2017
Notice of Entitlement Offer sent to Shareholders	15 September 2017
Trading on Ex basis	18 September 2017
Record Date for the Entitlement Offer (7:00pm Sydney time)	19 September 2017
Despatch of Offer Booklet to Shareholders	22 September 2017
Opening Date of Entitlement Offer (9:00am Sydney time)	22 September 2017
Closing Date of Entitlement Offer (5:00pm Sydney time)	13 October 2017
Trading on deferred settlement basis commences	16 October 2017
ASX notified of under subscriptions (no more than 3 business days after Closing Date)	18 October 2017
Allotment Date - expected date of allotment of the New Shares issued under the Entitlement Offer	20 October 2017
Despatch Date - expected date of despatch of New Shares holding statements, and deferred settlement trading ends	20 October 2017
Normal trading begins	23 October 2017

This timetable is indicative only and may be subject to change subject to the requirements of the Corporations Act and the ASX Listing Rules.



Effect of the Offer on the Company's Share Capital

The impact of the Entitlement Offer on the share capital of the Company will be as follows:

Shares on issue as at 14 September 2017 (announcement of the Offer)	336,015,972
New Shares to be issued under the Entitlement Offer (approx)	56,002,662
Shares on issue following the Entitlement Offer	392,018,634

Upon completion of the Entitlement Offer, and assuming that no existing options or Convertible Notes on issue are exercised or converted, the issued capital of the Company will comprise approximately 392,018,634 shares, 302,795,182 unlisted Convertible Notes and 29,825,000 unlisted options exercisable with various exercise prices (from 20cents to 50cents) and various expiry dates.

Eligible Shareholders

The Entitlement Offer will be available to all registered shareholders at 7pm Sydney time on 19 September 2017 (**Record Date**) with registered addresses in the Prescribed Jurisdictions or any other jurisdiction in which the Company subsequently determines it may extend the Entitlement Offer (**Eligible Shareholders**). As at the date of this announcement the Company only had a minimal number of registered shareholders outside the Prescribed Jurisdictions.

Further Details

As mentioned above, if you wish to participate in the Entitlement Offer in respect of options which you hold, your options must be currently exercisable, and you will need to exercise those options and pay the current exercise price in accordance with the terms of your Options well in advance of the record date to ensure that you are registered as a shareholder at that date.

Any queries regarding your option holding, or your current entitlement can be directed to the writer on 07 3303 0661 or kschlobohm@armouenergy.com.au

Yours faithfully

A handwritten signature in blue ink, appearing to read "K. Schlobohm", with a long horizontal flourish extending to the right.

Karl Schlobohm
Company Secretary
Armour Energy Ltd