

# **Armour Energy Limited**

#### ACN 141 198 414

# Retail Entitlement Offer Booklet

An accelerated non-renounceable *pro rata* entitlement offer to existing shareholders of Armour Energy Limited of 1 New Share at an issue price of \$0.10 each for every 4 Shares held to raise approximately \$10.1 million.

Retail Shareholders who apply for their full Retail Entitlement will also be entitled to apply for additional New Shares to be allocated out of any shortfall.

Fully Underwritten by Samuel Holdings Pty Ltd ACN 063 693 747.

Retail Entitlement Offer Closes at 5:00pm (AEST) on 28 August 2018.

#### Important notice

Please read this document in its entirety.

This document is not a prospectus. This document does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document. The New Shares offered by this document should be considered speculative.

If after reading this document you have any questions about the securities being offered for issue under it or any other matter, then you should consult your stockbroker, accountant or other professional advisor.

**SAMUEL HOLDINGS PTY LTD ACN 063 693 747** 

Underwriter

(hg) HopgoodGanim Legal Adviser

10 August 2018



#### **IMPORTANT NOTICE**

#### This Retail Offer Booklet is dated 10 August 2018.

The Retail Entitlement Offer is made in accordance with section 708AA of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

This Retail Offer Booklet does not contain all of the information which an investor may require to make an informed investment decision, nor does it contain all the information which would be required to be disclosed in a prospectus. The information in this Retail Offer Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Retail Offer Booklet should be read in its entirety before you decide to participate in the Retail Entitlement Offer. This Retail Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Retail Offer Booklet and you have acted in accordance with and agree to the terms of the Retail Entitlement Offer detailed in this Retail Offer Booklet.

## **Foreign Shareholders**

The Company has not made any investigation as to the regulatory requirements that may prevail in the countries, outside of Australia and New Zealand, in which the Company's Shareholders may reside. The distribution of this Retail Offer Booklet in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Retail Offer Booklet should seek advice on and observe those restrictions. Any failure to comply with restrictions might constitute a violation of applicable securities laws. Whilst the Institutional Entitlement Offer has been made in British Virgin Islands, Singapore, Jersey and Hong Kong, the Retail Entitlement Offer is not open to Retail Shareholders in those jurisdictions.

The Retail Entitlement Offer may only be accepted by Eligible Retail Shareholders and does not constitute an offer in any place in which or to any person to whom, it would be unlawful to make such an offer.

The Company has decided that it is unreasonable to make offers under the Retail Entitlement Offer to Shareholders with registered addresses outside Australia and New Zealand having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Retail Entitlement Offer is not being extended to, and does not qualify for distribution or sale by, and no New Shares will

be issued to Shareholders having registered addresses outside Australia and New Zealand.

See Section 1.17 for more information.

#### **Forward-looking statements**

This Retail Offer Booklet, including the Investor Presentation, contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Retail Offer Booklet, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Retail Offer Booklet or the Investor Presentation will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Retail Offer Booklet or the Investor Presentation, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 2 of this Retail Offer Booklet.

## **Privacy Act**

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and to carry out any associated administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that the Company holds about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Retail Offer Booklet.



The collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

Please read this document carefully before you make a decision to invest. An investment in the Company has a number of specific risks which you should consider before making a decision to invest. Some of these risks are summarised in Section 2.



#### **Director's Letter**

#### 10 August 2018

Dear Shareholder,

On behalf of the Directors, I am pleased to invite you, as a valued Shareholder of Armour Energy Limited (AJQ or Company), to participate in the Company's 1 New Share for 4 Shares, fully underwritten pro-rata accelerated non-renounceable entitlement offer of new ordinary shares in the Company (New Shares) at an issue price of \$0.10 per New Share (the Entitlement Offer).

The Shortfall under the Entitlement Offer is fully underwritten by Samuel Holdings Pty Ltd (**Underwriter**), an entity associated with Armour Director, Mr Nicholas Mather. The Underwriter will receive a fee of \$1.00.

On 8 August 2018, the Company announced its intention to raise approximately \$10.1 million through the Entitlement Offer. The Entitlement Offer comprises both an accelerated institutional component for eligible institutional shareholders (Institutional Entitlement Offer), and a retail component for eligible retail shareholders (Retail Entitlement Offer).

The Institutional Entitlement Offer was completed on 9 August 2018 raising \$2,586,510, including the application for \$2.1 million of New Shares from DGR Global. This offer booklet (**Retail Offer Booklet**) relates to the Retail Entitlement Offer.

The purpose of the Entitlement Offer is to raise approximately \$10.1 million (before costs) which will primarily be used, together with operational cash flows, to support the drilling of the Company's 2018/19 Kincora area development well program, commencing with Myall Creek Well 4A, the progress of which has previously been announced to the ASX. The proceeds will also be utilised to meet an element of corporate costs, Kincora operating costs, creditor payments and the costs associated with the Entitlement Offer.

The number of New Shares that you are entitled to subscribe for under the Retail Entitlement Offer (the **Entitlement**) is set out in your personalised Entitlement and Acceptance Form that accompanies this Retail Offer Booklet. If you take up your full Entitlement, you can also apply for additional New Shares (**Additional New Shares**) under a Shortfall Facility (refer to Section 4 of this Retail Offer Booklet for more information) (the **Shortfall Facility**).

The Underwriter, in consultation with the Board of Armour, will not allocate New Shares or Additional New Shares to any Eligible Institutional Shareholders or Eligible Retail Shareholders to the extent that the allocation will result in that Eligible Shareholder acquiring a holding of more than 19.99% in the Company, other than existing shareholder DGR Global Limited which currently holds 22.43% and who may not increase their holding by more than 3% (under the Creep Rule) by participation in the Entitlement Offer.

If you are an Eligible Retail Shareholder and you wish to accept your Entitlement pursuant to the Retail Entitlement Offer, you will need to complete the Entitlement and Acceptance Form accompanying this Retail Offer Booklet and return it and make payment of the appropriate Application Money to the Company's Share Registry or otherwise paying for your New Shares through BPAY® before **5:00pm (AEST) on the Closing Date of 28 August 2018**.

The Entitlement Offer is non-renounceable and therefore your Entitlements will not be tradeable on the ASX or otherwise transferable. I encourage you to consider this Offer carefully.

Pursuant to the Corporations Act, Armour is not required to prepare a prospectus for the Entitlement Offer. A summary of the key information with respect to the Entitlement Offer is set out in this Retail Offer Booklet. Please read the Retail Offer Booklet carefully before deciding whether or not to invest. If there is any matter on which you require further information, you should consult your stockbroker, accountant or other professional adviser.



On behalf of the Directors, I encourage you to consider this investment opportunity and thank you for your ongoing support of the Company.

Yours sincerely,

**Roland Sleeman - Non-executive Director** 

RKSlama



# **Important Information**

## **Entitlement and Acceptance Forms**

It is the responsibility of overseas Applicants to ensure compliance with all laws of any country relevant to their Acceptance. A number of terms and abbreviations used in this Retail Offer Booklet have defined meanings, which are explained in the Glossary. Money as expressed in this Retail Offer Booklet is in Australian dollars or otherwise as indicated.

# **Summary of the Entitlement Offer**

Ratio	1 New Share for every 4 existing Armour ordinary shares
Size	101,293,985 New Shares
Issue Price	\$0.10 per New Share
Gross proceeds (approximately) (including costs of the Offer)	\$10,129,399

## **Key dates**

Event	Date
Trading halt (before market open)	8 August 2018
Announcement of Entitlement Offer and Appendix 3B and cleansing statement lodged	8 August 2018
Institutional Entitlement Offer opens	8 August 2018
Institutional Entitlement Offer closes	(4.00pm AEST) 9 August 2018
Announcement of results of Institutional Entitlement Offer and release of Retail Offer Booklet to ASX (before commencement of trading following the trading halt)	10 August 2018
Trading halt lifted and Existing Shares resume trading on an ex-entitlement basis	10 August 2018
Record Date for Entitlement Offer	(7.00pm AEST) 10 August 2018
Retail Offer Booklet and Entitlement and Acceptance Form despatched	15 August 2018
Retail Entitlement Offer opens	15 August 2018
Settlement of Institutional Entitlement Offer	16 August 2018
Updated Appendix 3B for New Shares issued under the Institutional Entitlement Offer lodged (if required)	(no later than 12.00pm AEST) 16 August 2018
Quotation of New Shares issued under the Institutional Entitlement Offer	17 August 2018
Last day to extend Retail Entitlement Offer close date	23 August 2018
Closing date for acceptances under Retail Entitlement Offer	(5.00pm AEST) 28 August 2018
Announcement of results of Retail Entitlement Offer	31 August 2018
Settlement of Retail Entitlement Offer	4 September 2018



Updated Appendix 3B for New Shares issued under the Retail Entitlement Offer lodged (if required)	(no later than 12.00pm AEST) 4 September 2018
Quotation of New Shares under Retail Entitlement Offer	5 September 2018
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	6 September 2018

The dates set out in the above table are subject to change and are indicative only. The Company, in conjunction with the Underwriter, reserves the right to alter this timetable at any time, subject to the Corporations Act and the Listing Rules, without notice. The Directors, subject to the requirements of the Listing Rules and the Corporations Act, may extend the period of the Entitlement Offer or bring forward the Closing Date at their discretion. This may have a consequential effect on the other dates. Investors are encouraged to submit their Entitlement and Acceptance Forms as soon as possible. The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.



# **Table of Contents**

Dire	ector's Letter	2
	Description and effect of the Entitlement Offer	
2.	Investor Presentation and Risks	14
3.	Effect of Entitlement Offer on Control of Armour	23
4.	How to Apply	30
5.	Material Contracts	36
6.	Additional information	41
7.	Definitions and Glossary	44
	Corporate Directory	



## 1. Description and effect of the Entitlement Offer

#### 1.1 Overview

The Entitlement Offer is an accelerated non-renounceable offer of approximately 101,293,985 New Shares at a price of \$0.10 per New Share to raise approximately \$10.1 million (before direct costs of the Offer including fees paid to any sub-underwriters, advisers and to providers of specific services to cover share registry, printing and postage costs).

The purpose of the Entitlement Offer is to raise approximately \$10.1 million (before costs) which will primarily be used, together with operational cash flows, to support the drilling of the Company's 2018/19 Kincora area development well program, commencing with Myall Creek Well 4A, the progress of which has previously announced to the ASX. The proceeds will also be utilised to meet an element of corporate costs, Kincora operating costs, creditor payments and the costs associated with the Entitlement Offer.

The Entitlement Offer has two components:

- (a) the Institutional Entitlement Offer an initial offer to Eligible Institutional Shareholders; and
- (b) the Retail Entitlement Offer an offer to Eligible Retail Shareholders.

Both the Institutional Entitlement Offer and the Retail Entitlement Offer are non-renounceable. Accordingly, Entitlements cannot be traded on the ASX, nor can they be sold, transferred or otherwise disposed of.

## 1.2 Institutional Entitlement Offer

The Company has already raised \$2,586,510 under the Institutional Entitlement Offer.

New Shares issued under the Institutional Entitlement Offer will be issued at the same price and at the same ratio as those being offered under the Retail Entitlement Offer. The Company announced the completion of the Institutional Entitlement Offer on 10 August 2018.

## 1.3 Retail Entitlement Offer

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders only. The Retail Entitlement Offer will raise approximately \$7.54 million.

Eligible Retail Shareholders who are on the Company register on the Record Date are entitled to acquire 1 New Share for every 4 Shares held on the Record Date (**Retail Entitlement**).

Fractional Entitlements will be rounded down to the nearest whole number of New Shares.

The Retail Entitlement Offer is non-renounceable. Accordingly, Retail Entitlements do not trade on the ASX, nor can they be transferred or otherwise disposed of.

An Entitlement and Acceptance Form setting out your Entitlement accompanies this Retail Offer Booklet. Eligible Retail Shareholders may subscribe for all or part of their Retail Entitlement. Eligible Retail Shareholders who do not take up all of their Retail Entitlements will have their percentage shareholding in the Company diluted. Eligible Retail Shareholders should be aware that an investment in the Company involves risks. The key risks identified by the Company are summarised in Section 2 of this Retail Offer Booklet.



## 1.4 Issue of Additional New Shares under the Entitlement Shortfall Facility

Each Eligible Retail Shareholder may apply for Additional New Shares, in addition to their Entitlement, at an issue price of \$0.10 per New Share (**Shortfall Offer**).

Any New Shares not taken up under both the Institutional Entitlement Offer and the Retail Entitlement Offer (Entitlement Shortfall) may be made available to those Eligible Retail Shareholders who took up their full Entitlement and applied for Additional New Shares under the Entitlement Shortfall Facility (as well as being made available to any Eligible Institutional Shareholders who took up their full Entitlement and applied for Additional New Shares under the Entitlement Shortfall Facility).

There is no guarantee that such Eligible Retail Shareholders will receive the number of Additional New Shares applied for, or indeed, any Additional New Shares at all. The number of New Shares issued under the Entitlement Shortfall Facility will not exceed the Entitlement Shortfall following the Retail Entitlement Offer.

The Directors, in conjunction with the Underwriter, shall allot and issue Additional New Shares in accordance with the allocation policy for the Entitlement Shortfall set out in Section 4.4.

The Company, in consultation with the Underwriter, may reject any Application for Additional New Shares or allocate fewer Additional New Shares than applied for by Eligible Retail Shareholders for Additional New Shares.

The ability for the Company to issue Additional New Shares is dependent upon the extent of any Entitlement Shortfall. Applications for Additional New Shares must be made in the Additional New Shares section on the Entitlement and Acceptance Form accompanying this Retail Offer Booklet.

## 1.5 Eligibility of Retail Shareholders

The Retail Entitlement Offer is being offered to all Eligible Retail Shareholders only. Eligible Retail Shareholders are Retail Shareholders on the Record Date who:

- (a) have a registered address in Australia or New Zealand or is a Shareholder that the Company has otherwise determined is eligible to participate;
- (b) are not in the United States and are not a person (including a nominee or custodian) acting for the account or benefit of a person in the United States; and
- (c) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or other disclosure document to be lodged or registered.

The Retail Entitlement Offer is not being extended to the Ineligible Retail Shareholders because of the small number of such Shareholders, the number and value of Shares that they hold and the cost of complying with the applicable regulations in jurisdictions outside Australia and New Zealand.

#### 1.6 Investment risks

Eligible Retail Shareholders should be aware that an investment in Armour involves risks, a number of which are specific to the Company and the industry in which it operates. The key risks identified by Armour are outlined within Section 2.2 of this Retail Offer Booklet.

#### 1.7 New Share terms

Each New Share will rank equally with all existing Shares then on issue. Full details of the rights and liabilities attaching to the Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.



## 1.8 Underwriting

The Shortfall under the Entitlement Offer is fully underwritten by Samuel Holdings Pty Ltd (**Samuel** or the **Underwriter**), being an entity controlled by Mr Nicholas Mather, a Non-Executive Director of Armour and so a 'related party' of Armour under the Corporations Act.

The Underwriting Agreement has been negotiated on an arm's length basis and contains standard commercial terms and conditions for a firm underwriting agreement for a capital raising of this size and type. It also contains customary covenants, indemnities and representations and warranties by the Company and terminating events which if they occur, will relieve the Underwriter of its underwriting obligations. The termination events are outlined in further detail in Section 5.1.

Under the terms of the Underwriting Agreement, the Company will pay the Underwriter a fee of one dollar (\$1.00).

The Underwriter shall be responsible for its own costs and any other out-of-pocket expenses incurred in connection with its engagement (**Expenses**). However, if at any stage the Company terminates the agreement (unless due to default of the Underwriter) or withdraws the Entitlement Offer, the Company will be liable to reimburse Samuel in full for the Expenses.

If the Underwriting Agreement is terminated, the Expenses to be paid will also include any subunderwriting fees that are payable by the Underwriter.

Under the Underwriting Agreement, the Company has agreed to pay a broker fee to ASX member brokers whose clients, as existing shareholder of the Company, participate in the Entitlement Offer. The broker fee is to be equal to 3% of the application amount for each existing shareholder who participates. Under the Underwriting Agreement, the Company has also agreed to pay a fee of 3% of the funds sub-underwritten to the sub-underwriters.

## 1.9 Potential effects of Underwriting on Control

Samuel Holdings Pty Ltd currently holds some 906,990 Shares and has a Relevant Interest in 3,647,968 shares (0.9%) of the Company.

The Underwritten Amount is \$10,129,399 representing 101,293,985 New Shares. Samuel Holdings Pty Ltd has an Entitlement of some 226,748 New Shares under the Entitlement Offer and has committed to take up all of its Entitlement under the Retail Entitlement Offer. Associates of the Underwriter have an Entitlement to an additional 685,244 New Shares.

If, at completion of the Entitlement Offer, the Underwriter is required to subscribe for the entire Underwritten Amount (less the relief it is entitled to for taking up its own Entitlements and the take up of Entitlements by its Associates) it is possible that the Underwriter may be issued with up to a maximum of 101,293,985 New Shares. The Underwriter and its Associates currently hold 3,647,968 shares (together with 1,500,000 Existing Options and 9,813,550 Convertible Notes), which together with the maximum number of New Shares would give them 104,941,953 shares representing approximately 20.72% of the voting power in the Company upon all New Shares being issued under the Entitlement Offer. This assumes that the Underwriter and its Associates do not exercise their Existing Options or convert the Convertible Notes which are held by them.

As a result of the subscriptions under the Institutional Entitlement Offer for \$2,586,510 of New Shares (being 25,865,099 New Shares) and the acceptance of Entitlements from Directors, the maximum number of New Shares which Samuel may receive under the Underwritten Amount would be 75,428,886 and the Underwriter would have a Relevant Interest at completion of the Entitlement Offer in a total of 79,988,846 shares representing approximately 15.79% of voting power in the Company (assuming that the Underwriter and its Associates do not exercise their Existing Options or convert the Convertible Notes which are held by them).



In addition:

- (a) the Underwriter has entered into sub-underwriting agreements with a number of parties to disperse any Entitlement Shortfall;
- (b) those Directors of the Company who hold shares in the Company have indicated their intention to take up their Entitlements under the Offer; and
- (c) Eligible Shareholders are entitled to subscribe for New Shares in addition to their Entitlement under the Entitlement Shortfall Facility.

Together, these will reduce the number of New Shares required to be taken up by the Underwriter under the Entitlement Offer.

For further details of the underwriting and potential effects on control, please refer to Section 3.4.

#### 1.10 Proposed use of funds

The Entitlement Offer is to raise approximately \$10.1 million (before costs).

The purpose of the Entitlement Offer is to raise approximately \$10.1 million (before costs) which will primarily be used, together with operational cash flows, to support the drilling of the Company's 2018/19 Kincora area development well program, commencing with Myall Creek Well 4A, the progress of which has been previously announced to the ASX. The proceeds of the Entitlement Offer together with the other sources of funds available to the Company set out below will also be utilised to meet an element of corporate costs, Kincora operating costs, creditor payments and the costs associated with the Entitlement Offer as set forth in the following Table.

Use of Funds (through to 31 December 2018)	\$m
Myall Creek development wells 1, 2 and 3 - Drilling, completion and connection <sup>1</sup>	12.82
Kincora operating costs	7.45
Corporate overheads	4.73
Costs of the Entitlement Offer	0.40
Creditors and accruals	5.61
Cash on hand for working capital	8.66
Total	39.67

The above statement is a statement of current intentions as at the date of this Retail Offer Booklet. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

In addition to the proceeds of the Entitlement Offer, other current and anticipated sources of funding are as set forth in the following Table.

<sup>&</sup>lt;sup>1</sup> Amount reflects payment to 31/12/2018, with additional payments of \$3.41 million expected in third quarter.



Sources of Funds (through to 31 December 2018)	\$m
Cash on hand (as at 30 June 2018)	5.10
Proceeds of the Entitlement Offer	10.13
Tribeca Facility	6.50
Kincora operating revenues <sup>2</sup>	15.77
GAP Grant (Cost Contribution) Funding <sup>3</sup>	2.17
Total	39.67

#### 1.11 Important dates

Please refer to the Important Information section on Pages 4 and 5 for the key offer dates.

#### 1.12 Allotment and allocation

The Company will proceed to allocate New Shares as soon as possible after the Closing Date and receiving ASX permission for official quotation of the New Shares.

Allocation of New Shares applied for under the Entitlement Shortfall Facility will be allocated and allotted in accordance with the allocation policy set out in Section 4.4. Successful Applicants will be notified in writing of the number of New Shares allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Shares allocated to them prior to trading in New Shares. Applicants who sell New Shares before they receive notice of the number of New Shares allocated to them do so at their own risk.

#### 1.13 ASX listing

The Company applied for the listing and official quotation of the New Shares on the ASX on 8 August 2018. If granted, official quotation of the New Shares will commence as soon as practicable after allotment of the New Shares to Applicants. It is the responsibility of the Applicants to determine their allocation of New Shares prior to trading.

#### 1.14 CHESS

The Company will apply for the New Shares to participate in CHESS, in accordance with the ASX Listing Rules and ASX Settlement Operating Rules. The Company will not issue certificates to Shareholders with respect to the New Shares. After allotment of the New Shares, participating Shareholders will receive a transaction confirmation statement.

CHESS holders will also receive an allotment advice. The CHESS statements, which are similar in style to bank account statements, will set out the number of New Shares allotted to each successful Applicant pursuant to this Retail Offer Booklet. The statement will also advise holders of their holder identification

<sup>&</sup>lt;sup>2</sup> Applicants are referred to the Risks set forth in Section 2.2 and specifically in Section 2.2(h).

<sup>&</sup>lt;sup>3</sup> Details of the GAP Funding Agreement are set forth in Section 5.4. Applicants are referred to the Risks set forth in Section 2.3(c).



number. Further statements will be provided to holders which reflect any changes in their holding in the Company during a particular month.

#### 1.15 Option Holders

Option Holders will not be entitled to participate in the Retail Entitlement Offer unless they:

- (a) have become entitled to exercise their Existing Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Retail Entitlement Offer as a result of being a holder of Shares registered on the share register at 7:00pm (AEST) on the Record Date.

There are currently 67,875,000 Existing Options on issue with various exercise prices and various expiry dates. Please refer to Section 3.2 for further details of the Existing Options on issue.

In the event that all entitled Option Holders elect to exercise their Existing Options prior to the Record Date to participate in the Retail Entitlement Offer, a further 16,968,750 New Shares may be issued as part of the Retail Entitlement Offer under this Retail Offer Booklet.

#### 1.16 Convertible Note Holders

Convertible Note Holders will not be entitled to participate in the Retail Entitlement Offer unless they:

- (a) have become entitled to convert their Convertible Notes under the terms of their issue and have done so a sufficient time prior to the Record Date; and
- (b) participate in the Retail Entitlement Offer as a result of being a holder of Shares registered on the share register at 7:00pm (AEST) on the Record Date.

The Company currently has 375,200,950 unlisted interest-bearing Convertible Notes on issue. The terms of the Convertible Notes were approved by shareholders at the Company's Annual General Meeting on 14 December 2016 and the Extraordinary General Meeting of 31 May 2017, and via special resolutions of Convertible Noteholders dated 26 May 2017 and 26 July 2018. See also Section 3.2 of this document for further details.

## 1.17 Overseas Shareholders

The Retail Entitlement Offer will only be made to those shareholders with registered addresses in Australia and New Zealand. We note that the Institutional Entitlement Offer has been made in British Virgin Islands, Singapore, Jersey and Hong Kong, being jurisdictions in which the Company has sought advice or is otherwise satisfied that it may make the Institutional Entitlement Offer without breach of the relevant jurisdictions law and regulations. We understand that as the remaining number of Retail Shareholders in those jurisdictions will be small (if any), the Retail Entitlement Offer will not be made in those jurisdictions. Participants from British Virgin Islands, Singapore, Jersey and Hong Kong in the Institutional Entitlement Offer may also participate in the Entitlement Offer Shortfall Facility.

The Company has not made investigations as to the regulatory requirements that may prevail in relation to the Retail Entitlement Offer in the countries outside of Australia and New Zealand in which the Company's Shareholders reside.

The Company has decided that it is unreasonable to make offers under the Retail Entitlement Offer to Shareholders with registered addresses outside Australia and New Zealand, (including those jurisdictions where the Institutional Entitlement Offer has been made, being British Virgin Islands, Singapore, Jersey and Hong Kong) having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places.



Accordingly, the Retail Entitlement Offer is not being extended to, and does not qualify for distribution or sale by, and no New Shares will be issued to Shareholders having registered addresses outside Australia and New Zealand.

This Retail Offer Booklet and the accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Shares in any place outside Australia and New Zealand, in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Retail Offer Booklet. The distribution of this Retail Offer Booklet and the accompanying Entitlement and Acceptance Form in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Retail Offer Booklet and the accompanying Entitlement and Acceptance Form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

#### **New Zealand**

The New Shares are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

#### 1.18 Notice to nominees and custodians

Eligible Retail Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident in other jurisdictions are responsible for ensuring that taking up the Retail Entitlement Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

## 1.19 Electronic Offer Document

An electronic version of this Retail Offer Booklet is available on the Company's website at <a href="https://www.armourenergy.com.au">www.armourenergy.com.au</a>.

The Entitlement and Acceptance Form may only be distributed together with a complete and unaltered copy of the Retail Offer Booklet. The Company will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the Eligible Retail Shareholder has not received a complete paper copy or electronic copy of the Retail Offer Booklet or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Retail Offer Booklet has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that during the period in which the Retail Entitlement Offer is open to Eligible Retail Shareholders the electronic version of the Retail Offer Booklet will be tampered with or altered in any way, the Company cannot give any absolute assurance that it will not be the case. Any investor in doubt concerning the validity or integrity of an electronic copy of the Retail Offer Booklet should immediately request a paper copy of the Retail Offer Booklet directly from the Company or the Share Registry.



## 2. Investor Presentation and Risks

#### 2.1 Investor Presentation

An investor presentation is attached to this Retail Offer Booklet.

#### 2.2 Risks

Investing in New Shares in the Company involves some risk. There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company and the value of your investment in the Company. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of the Company, are dependent on the policies adopted and approaches taken by regulatory authorities, or cannot otherwise be mitigated.

If you are unsure about subscribing for New Shares in the Company, you should first seek advice from your stockbroker, accountant, financial or other professional adviser.

The New Shares offered under this Retail Offer Booklet carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to the future performance of the Company.

As with any equity investment, substantial fluctuations in the value of your investment may occur. This Retail Offer Booklet does not set out all the risks you may face in applying for, and holding, additional shares in the Company.

The key risks are summarized below.

## 2.3 Key risks specific to an investment in the Company

#### (a) MHC Redemption Risk

The Company has issued 375,200,950 convertible notes with a face value of \$0.11 (**Notes**) pursuant to the Note Deed. The Notes have a maturity date of 30 September 2019.

M.H. Carnegie & Co Pty Limited (MHC) MHC is the Placement Note Holder Manager while MHC Fund Services 2A Pty Ltd (MHC Fund) and any other nominees of MHC are Placement Note Holders. The largest Note Holder is MHC Fund who holds approximately 125,800,000 Notes (MHC Notes).

A dispute arose between the Company and MHC and MHC Fund in respect of certain provisions in the Note Deed providing Placement Note Holders with an early redemption right in certain specific circumstances (the **Early Redemption Right**).

The Company, MHC and MHC Fund have resolved the dispute and entered into a settlement deed. Pursuant to the terms of the settlement deed, the Company and Perpetual Corporate Trust Limited (the trustee under the Note Deed), with the consent of MHC and the approval of the Note Holders by Special Resolution, amended the Note Deed by extending the time which Placement Note Holders have to determine whether or not to exercise the Early Redemption Right, from 30 June 2018 to 31 December 2018.



At present, assuming that no MHC Notes are converted or otherwise disposed of beforehand, if the Company was required to act upon an Early Redemption Notice in respect of all of the MHC Notes, pursuant to the terms of the MHC Notes the Company would have to either:

- make a payment to MHC Fund of approximately \$15.5m; or
- procure a purchaser for MHC Fund's Notes for an amount not less than the amount that the Company would need to pay to MHC Fund.

## (b) Noteholder Redemption Risk

The Note Deed provides that where there is an event of default under the Note Deed, the Company must redeem each note where the Note Trustee or the Placement Note Holder (being MHC) provides notice in writing within 45 days of the event of default requiring the notes to be redeemed.

As announced by the Company on 26 July 2018, the Company and an Armour subsidiary, Armour Energy (Surat Basin) Pty Ltd (**Armour Surat**) entered into a credit facility agreement with Tribeca Investment Partners Pty Ltd (**Tribeca**) for the provision by Tribeca of an environmental bonding finance facility to Armour Surat (the **Tribeca Facility**).

The Amended Note Deed now provides an additional redemption right to MHC in the event of a default by Armour under the Tribeca Facility which is not cured within any time period specified under the Tribeca Facility and the Amended Note Deed.

The Note Deed also provides MHC with redemption rights where there is an event of default (howsoever described) under the DGR Facility. No amounts remain owing under the DGR Facility.

The Company will manage its affairs to avoid the risk of default under these arrangements, but a breach may require the Company to make a payment to MHC under the Note Deed.

## (c) GAP Funding

The Company has successfully applied for a grant under the Gas Acceleration Program and has entered into an agreement under which the Company can access some \$6,000,000 over a 3 year period to assist the Company in its planned expenditure programs. The Company has currently received \$2.3 million (net of GST) under the grant. However, continued receipt of such funding is subject to satisfactory progress towards milestones and availability of program funds and no assurance can be given that the Company will be successful in receiving and retaining such GAP funding.

## (d) Regulatory risk and government policy

The availability and rights to explore and produce oil and gas, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of Armour Energy.

The governments of the relevant States and Territories in which Armour Energy has interests conduct reviews from time to time of policies in connection with the granting and administration of petroleum tenements. Changing attitudes to environmental, land care, cultural heritage or traditional religious artefacts and indigenous land rights issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect the Company's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.



The Company notes that on 11 April 2018 the Northern Territory Government announced that the moratorium on fracture stimulation of unconventional onshore gas reservoirs is to be lifted and hydraulic fracking will be able to occur under very strict conditions in tightly prescribed areas. On 17 July 2018 the Northern Territory Government released its plan to implement the recommendations of the independent scientific inquiry into unconventional hydraulic fracturing. The Company is evaluating the NT Governments' implementation plan, and it is understood that the NT Government is reviewing the potential "reserved areas" identified by the inquiry which overlap with the Company's tenements in the region (refer to the Company's Quarterly Activities Report lodged with ASX on 30 April 2018). The implementation plan and the "reserved areas" may affect the manner in which the Company can undertake operations on its tenements in the Northern Territory. The Company holds Exploration Permits 171, 174, 176, 190, 191 and 192s in the McArthur Basin, Northern Territory, which are considered highly prospective for large shale oil and gas resources.

#### (e) Uncertainty of development of projects and exploration risk

Oil and gas exploration and development are high risk undertakings and involve significant risks. The Company's performance depends on the successful exploration and/or acquisition of resources or reserves and commercial production therefrom. There can be no assurances that the Company's exploration programs described in this Retail Offer Booklet or those relating to any projects or tenements that the Company may acquire in the future, will result in the discovery of a significant gas and/ or associated liquids target, and even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Armour Energy's potential future earnings, profitability and commercialisation of gas and/ or associated liquids reserves and resources will be dependent on the successful discovery and subsequent extraction of those resources to the extent that may be required to fulfil commercial obligations.

Successful commodity development and production is dependent on obtaining all necessary consent and approvals and the successful design, construction and operation of efficient gathering, processing and transportation facilities. No assurance can be given that the Company will be able to obtain all necessary consents and approvals in a timely manner, or at all.

Successful commodity development is also dependent on appropriate development and/or expansion of both new and existing facilities required to connect resources to market by the Company and, in certain instances, by third parties. No assurance can be given that the Company can rely on the timely development and/or expansion of such facilities.

## (f) Health and safety risk

As with any gas and/ or associated liquids project, there are health and safety risks associated with the Company's gas operations in Australia and overseas. The Company manages these risks, through the application of structured health and safety management systems. As the operator of plant and equipment, the Company has specific legislative obligations to ensure that its personnel and contractors operate in a safe working environment.

#### (g) Insurance risk

The Company maintains insurance within ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.



#### (h) Operational risks and costs

The Company is currently a producer of oil and gas which is sold under commercial contracts. The Company's immediate plans and objectives are dependent upon a continuation of such production generating operating surpluses to assist the Company in funding its planned expenditure programs. Whether it can do so will depend largely upon an efficient and successful, operation and exploitation of the resources and associated business activities and management of commercial factors.

Operation and exploitation may from time to time be hampered on occasions by unforeseen operating risks, as would any other industry. For example, force majeure events, power outages, critical equipment or pipe failures, and environmental hazards such as noise, odours, gas leaks, hazardous substances spills, other weather events, industrial accidents and other accidents, unforeseen cost changes and other incidents beyond the control of Armour Energy can negatively impact on the Company's activities, thereby affecting its profitability and ultimately, the value of its securities.

Ultimate success depends on the discovery and delineation of economically recoverable mineral resources, establishment of efficient exploration operations, obtaining necessary titles and access to projects, as well as government and other regulatory approvals.

The exploration and mining activities of the Company may be affected by a number of factors, including but not limited to geological conditions; seasonal weather patterns; equipment difficulties and failures, technical difficulties and failures; continued availability of the necessary technical equipment, plant and appropriately skilled and experienced technicians; improper, defective and negligent use of technical plant and equipment; improper, defective and negligent conduct by employees, consultants and contractors; adverse changes in government policy or legislation; and access to the required level of funding.

## (i) Competition risk

The gas and associated liquids industry that the Company is involved in is highly competitive in Australia. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which may positively or negatively affect the operating and financial performance of the Company's projects and business. There can be no assurance that the Company can compete effectively with numerous other gas and associated liquids companies in the search for gas and associated liquids reserves and resources.

## (j) Business risks

There are risks inherent in doing business, such as unexpected changes in regulatory requirements, trade barriers, longer payment cycles, problems in collecting accounts receivable, network and infrastructure issues and potentially adverse tax consequences, any of which could adversely impact on the success of Armour Energy's operations.

## (k) Contractual and joint venture risks

Armour Energy's ability to efficiently conduct its operations in a number of respects depends upon third party product and service providers and contracts. Accordingly, in some circumstances, contractual arrangements have been entered into by Armour Energy and its subsidiaries. As in any contractual relationship, the ability for Armour Energy to ultimately receive benefits from these contracts is dependent upon the relevant third party complying with its contractual obligations.



To the extent that such third parties default in their obligations, it may be necessary for Armour Energy to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by Armour Energy that a legal remedy will ultimately be granted on appropriate terms.

Additionally, some existing contractual arrangements have been entered into by Armour Energy and its subsidiaries may be subject to the consent of third parties being obtained to enable Armour Energy to carry on all of its planned business and other activities and to obtain full contractual benefits.

No assurance can be given that any such required consent will be forthcoming. Failure by Armour Energy to obtain such consent may result in Armour not being able to carry on all of its planned business and other activities or proceed with its rights under any of the relevant contracts requiring such consent.

A number of the Company's projects are already the subject of joint venture arrangements. Additionally, the Company may wish to develop its projects or future projects through further joint venture arrangements. Any joint ventures entered into by, or interests in joint ventures assigned to, the Company could be affected by the failure or default of any of the joint venture participants.

#### (I) Product sales, commodity prices and transportation

Armour Energy's potential future revenues will be derived mainly from the sale of gas and/or associated liquids. Consequently, Armour Energy's potential future earnings, profitability and growth are likely to be closely related to both the price of gas and associated liquids and the cost to extract, process and transport the gas and/or associated liquids to the market. Whilst Armour Energy has entered into gas sale agreements with Australian Pacific LNG Marketing Pty Ltd (APLNG), there can be no assurance that the Company will ultimately be able to sell or transport the gas and/or associated liquids that it produces on commercial terms to APLNG or other parties. Gas is a traded commodity in Australia and its long-term price may rise or fall. In other jurisdictions, gas prices may be regulated or subject to regulation, that could cause prices to be lower than the cost of production.

Gas transport prices in open access transmission gas pipelines are subject to available capacity and are generally subject to regulation in Australia although gas transport capacity is also a traded commodity particularly when capacity is restricted. This can result in gas transport prices that are higher than regulated or, in the worst case, delay to or even inability to transport at an economic price.

Additionally, Armour Energy's prospects and perceived value will be influenced from time to time by the prevailing short-term prices of the commodities targeted in its exploration programs. Commodity prices fluctuate and are affected by factors including supply and demand for mineral products, hedge activities associated with commodity markets, the costs of production and general global economic and financial market conditions.

These factors may cause volatility which in turn, may affect the Company's ability to finance its future exploration and/or bring Armour Energy's products to market.

#### (m) Tenements

A failure to adhere to the requirements to exceed certain levels of expenditure on concessions and tenements held by Armour Energy (or its subsidiaries) in various jurisdictions may make certain concessions and tenements subject to possible forfeiture. All granted concessions and tenements are currently in good standing and, in accordance with normal industry practice,



Armour Energy surrenders some or all un-prospective parts of its concessions and tenements at the appropriate time so as to manage its minimum expenditure obligations and to retain the capacity to apply for additional prospective areas.

In addition, Armour Energy has recently:

- been awarded a number a further two new tenements which will be subject to usual minimum expenditure obligations; and
- tendered for some two new tenements in Queensland which are never certain to be granted.

In respect of granted tenements, no assurance can be given that the Company will be successful in managing its minimum expenditure obligations and retaining such tenements and no assurance can be given that Armour Energy will be successful in being awarded the tenements sought under its tender.

#### (n) Unforeseen expenses

The Company's cost estimates and financial forecasts include appropriate provisions for material risks and uncertainties and are considered to be fit for purpose for the proposed activities of the Company. If risks and uncertainties prove to be greater than expected, or if new currently unforeseen material risks and uncertainties arise, the expenditure proposals of the Company are likely to be adversely affected.

#### (o) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on such factors as:

- the continuation of receipt of operating revenue from producing wells;
- the outcome of the Company's exploration programs;
- successfully accessing all of the GAP funding;
- obtaining the Tribeca Facility; and
- whether or not MHC exercises its Early Redemption Rights,

the Company may require further financing in addition to amounts raised under this Retail Offer Booklet.

Any additional equity financing will dilute shareholdings and debt financing (if available) and may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs. In addition, the Company's ability to continue as a going concern may be diminished.

There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company and such circumstances will adversely affect the Company.

#### (p) Contractors

The Company is dependent on contractors and suppliers to supply vital services to its operations. The Company is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers. Any disruption to services or supply may have an adverse effect on the financial performance of the Company.



## (q) Reliance on key personnel

In formulating its exploration programs, the Company relies to a significant extent upon the experience and expertise of the Directors and management.

These persons possess knowledge of many of the Company's tenements through extensive personal experience of prospecting in those areas.

Although information concerning the Company's tenements has been chronicled, the loss of one or more of these key personnel may adversely affect the Company's prospects of pursuing its exploration programmes within the timeframes and within the cost structure currently envisaged. Although the key personnel have a considerable amount of experience and have previously been successful in their pursuits of important prospecting discoveries, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Company.

## (r) Employees

The ability of the Company to achieve its objectives depends on being able to retain certain key employees, skilled operators and tradespeople. Whilst the Company has entered into employment contracts with key employees, the retention of their services cannot be guaranteed. The loss of key employees or skilled operators and tradespeople could significantly affect the performance of the Company's operations.

## (s) Investment speculative

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to accept the Entitlement Offer.

## (t) Australian Native Title risk and Aboriginal Cultural Heritage

The Native Title Act 1993 (Cth) recognises certain rights of indigenous Australians over land where those rights have not been extinguished. These rights, where they exist, may impact on the ability of the Company to carry out exploration and in future, mining activities, or obtain exploration or mining licences in Australia. In applying for licences over crown land, the Company must observe the provisions of Native Title legislation.

In Queensland, the *Aboriginal Cultural Heritage Act 2003* (Qld) and the *Torres Strait Islander Cultural Heritage Act 2003* (Qld) (which commenced on 16 April 2004) impose duties of care which require persons, including the Company, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage.

In carrying out exploration and/or mining operations, the Company must observe Native Title legislation (where applicable), Aboriginal heritage legislation and heritage legislation which protects sites and objects of significance and these may delay or impact adversely on the Company's operations in Australia.

#### (u) Environmental risks

The Company's projects are subject to laws and regulations in relation to environmental matters. As a result, there is the risk that the Company may incur liability under these laws and regulations. The Company proposes to comply with applicable laws and regulations and conduct its programs in a responsible manner with regard to the environment.



#### 2.4 General risks

#### (a) Share market investments

The New Shares are to be quoted on the ASX, where their price may rise or fall in relation to the Issue Price. The Convertible Notes carry no guarantee in respect of profitability, dividends or return of capital, or the price at which they may trade on the ASX. The value of the New Shares will be subject to the ASX market and hence a range of factors outside of the control of the Company and the Directors and officers of the Company.

Such factors include the demand for and availability of the New Shares, movements in domestic and international interest rates and inflation rates, economic conditions and general economic outlook, exchange rates, fluctuations in the Australian and international share markets, taxation, government and monetary policies and demand and supply for capital. Returns from an investment on the New Shares offered under this Retail Offer Booklet may also depend on general share market conditions, as well as the performance of the Company. Investors who decide to sell their New Shares may not receive the entire amount of their original investment. There can be no guarantee that an active market in the New Shares will develop or that the price of the New Shares will increase.

## (b) General economic conditions

Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which the Company operates. Factors that may be beyond the control of the Company include:

- (1) general economic conditions in Australia and its trading partners and, in particular, inflation rates, interest rates, exchange rates, commodity supply and demand factors;
- (2) financial failure or default by a participant in any of the joint ventures or other contractual relationship to which the Company is, or may become, a party;
- (3) insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- (4) industrial disputes.

These as well as other conditions can affect the Company's future revenues and profitability and the price of its securities.

## (c) Industrial risk

Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

## (d) Management actions

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

## (e) Taxation and royalties

In all places where the Company has operations, in addition to the normal level of income tax imposed on all industries, the Company may be required to pay government royalties, indirect



taxes, goods and services tax and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

In Australia, the Federal Government introduced the Petroleum Resources Rent Tax (**PRRT**) to tax profits generated from the exploitation of onshore oil and gas projects, to apply from 1 July 2012. It is possible that the PRRT may adversely affect Armour Energy to the extent that the PRRT applies to gas and associated liquids produced and sold by Armour Energy from onshore production.

The Company may also be required to pay private royalties which may be affected by a number of factors including Government taxation and royalties, commodity prices and eligible deductions such as certain Company expenses. Profitability can be affected by changes to private royalties.

## (f) Commodity price risks

The Company's prospects and Share price will be influenced by the price obtained from time to time for the commodities targeted in its exploration programs. Commodity prices fluctuate and are affected by factors including the relationship between global supply and demand for minerals, forward selling by producers, costs of production and general global economic conditions.

Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand factors. These factors may have an adverse effect on the Company's exploration and any subsequent development and production activities, as well as its ability to fund its future activities.

## (g) Foreign exchange

Foreign exchange rates fluctuate over time. Fluctuating exchange rates have a direct effect on the Company's operating costs and cash flows expressed in Australian dollars. The Company does not currently have any formal currency hedging in place, which means that adverse changes to foreign exchange rates may have an adverse effect on the Company and its business.

## (h) Speculative nature of investment

The above list of risk factors is not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares issued under this Retail Offer Booklet.

Accordingly, the New Shares carry no guarantee with respect to the payment of dividends, returns, returns of capital or market value at any time. Eligible Shareholders should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to take up their Entitlement.

## (i) Resource estimates

Resource estimates are not precise and involve expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates depend to a significant extent on interpretation of geological boundaries, which may prove to be inaccurate. Should the company encounter unusual mineralisation to that predicted by past drilling and mining, resource estimates may have to be adjusted and feasibility studies may have to be altered in a way that could either benefit or adversely affect the Company's financial projections.



## 3. Effect of Entitlement Offer on Control of Armour

#### 3.1 Present position

As at the date of this Retail Offer Booklet, DGR Global is the Company's largest Shareholder, controlling approximately 22.43% of the Shares on issue in the Company. There are presently no other shareholders with a holding of greater than 5% on the share register.

## 3.2 Capital structure

Subject to rounding of fractional Entitlements and depending on the number of Existing Options and Convertible Notes (if any) that are exercised before the Record Date, the capital structure of the Company following the issue of New Shares under the Entitlement Offer (assuming full subscription under the Entitlement Offer) is expected to be as follows:

Shares on issue as at 8 August 2018 (launch of the Entitlement Offer)	405,175,941
New Shares to be issued under the Entitlement Offer*	101,293,985
Shares on issue following the Entitlement Offer	506,469,926

NB: \*Assuming no Options or Convertible Notes are exercised or otherwise converted.

As at the date of this Retail Offer Booklet, the Company has the following Existing Options on issue:

No of Options	Exercise price	Vesting date	Expiry date
3,150,000	\$0.20	Vesting 1/3 each year over 3 years	29/03/2021
3,150,000	\$0.35	Vesting 1/3 each year over 3 years	29/03/2021
2,250,000	\$0.50	Vesting 1/3 each year over 3 years	29/03/2021
1,500,000	\$0.22	N-A	14/12/2019
1,500,000	\$0.27	N-A	14/12/2019
1,500,000	\$0.32	N-A	14/12/2019
5,000,000	\$0.20	N-A	30/08/2018
666,666	\$0.22	N-A	29/05/2020
666,667	\$0.27	N-A	29/05/2020
666,667	\$0.32	N-A	29/05/2020
250,000	\$0.22	N-A	14/12/2019
250,000	\$0.27	N-A	14/12/2019
250,000	\$0.32	N-A	14/12/2019
2,024,998	\$0.22	N-A	14/12/2019
2,025,001	\$0.27	N-A	14/12/2019
2,025,001	\$0.32	N-A	14/12/2019
41,000,000	\$0.166	N-A	31/07/2021

If all 67,875,000 Existing Options are exercised prior to the Record Date to participate in the Entitlement Offer, a further 16,968,750 New Shares may be issued as part of the Entitlement Offer under this Retail Offer Booklet.



In addition, the Company currently has 375,200,950 unlisted interest-bearing Convertible Notes on issue, and can issue, (at its discretion subject to available placement capacity and otherwise obtaining any necessary shareholder approvals), up to a further 93,800,238 Convertible Notes as part of its capital raising initiatives.

#### 3.3 Potential effects of the Entitlement Offer on control

The Retail Entitlement Offer is a fully underwritten, pro-rata offer so that if all Eligible Retail Shareholders take up their Entitlements and none of the Option Holders exercise their Existing Options and participate in the Retail Entitlement Offer, and none of the Convertible Note Holders convert their Convertible Notes to Shares the Voting Power of all Eligible Retail Shareholders will remain substantially the same. In that event, there will be no actual or potential effect or consequences arising from the Entitlement Offer on the control of the Company.

Eligible Retail Shareholders who do not take up all of their Entitlements will have their interest in the Company diluted. The proportional shareholdings of Retail Shareholders who are not resident in Australia or New Zealand will be diluted as those Shareholders are not entitled to participate in the Entitlement Offer.

In the event of a Retail Entitlement Shortfall, the Directors will allocate and allot shares in accordance with Applications for Additional New Shares made under the Retail Entitlement Shortfall Facility if any. In the event of any New Shares remaining unallocated at the end of that process, the Directors will look to the Underwriter to fulfil its obligations under the Underwriting Agreement.

The Company's main shareholder, DGR Global, holds a Relevant Interest as at the date of this Retail Offer Booklet of 22.43% and may not increase their holding by more than 3% (under the Creep Rule) by participation in the Entitlement Offer. DGR Global has subscribed under the Institutional Entitlement Offer for \$2.1 million of New Shares, representing 21,000,000 New Shares, which is less than its Entitlement. As the Entitlement Offer is fully underwritten, the Relevant Interest of DGR Global will not increase as a result of it taking up its Entitlement.

The Entitlement Offer (encompassing both the Institutional Entitlement Offer and the Retail Entitlement Offer) is fully underwritten as to \$10,129,398.53 by Samuel Holdings Pty Ltd (the Underwriter), a company associated with Nicholas Mather, the executive Chairman of the Company. This represents a maximum number of 101,293,985 New Shares.

The Underwriter and its Associates currently have a Relevant Interest in 3,647,968 Shares, together with an interest in 9,425,280 Convertible Notes and 1,500,000 Options. If the Underwriter was required to subscribe for the entire Underwritten Amount and the Underwriter does not exercise any Existing Options or convert any Convertible Notes, then the maximum number of Shares that the Underwriter would have a Relevant Interest on completion of the Entitlement Offer would be 104,941,953 Shares, representing approximately 20.72% of the voting power in the Company if all New Shares are issued under the Entitlement Offer.

After taking into account the New Shares applied for under the Institutional Entitlement Offer, including 21,000,000 applied for by DGR Global, the maximum number of New Shares which are available for Samuel to receive under the Underwriting Agreement will be 75,428,886 and the Underwriter would have a Relevant Interest at completion of the Entitlement Offer in a total of 79,988,846 shares representing approximately 15.79% of voting power in the Company (assuming that the Underwriter and its Associates do not exercise their Existing Options or convert the Convertible Notes which are held by them).

The Underwriter has also secured sub-underwriting agreements from third parties totalling \$4.5 million, including \$2.5 million from BCP, a company associated with Stephen Bizzell, a director of the Company.



The potential effects on control of the Company as a result of the arrangements with the Underwriter and sub-underwriters are addressed in more detail in section 3.4.

#### 3.4 Underwriting and potential effects on control

If at completion of the Entitlement Offer, the Underwriter was required to subscribe for the entire Underwritten Amount it is possible that the Underwriter may be issued with up to a maximum of 101,293,985 New Shares, which would represent approximately 20% of the Voting Power in the Company.

The Underwriter and its Associates currently have a Relevant Interest in 3,647,968 Shares, and an interest in 9,813,550 Convertible Notes and 1,500,000 Options. If the Underwriter was required to subscribe for the entire Underwritten Amount and has accepted its Entitlement (together with the acceptance of Entitlements by its Associates) and the Underwriter or its Associates do not exercise any Existing Options or convert any Convertible Notes, then the Underwriter's current shareholding together with the maximum number of New Shares it would acquire would give the Underwriter a Relevant Interest in some 104,941,953 Shares representing approximately 20.72% of the voting power in the Company.

If the Underwriter before the Record Date converted its Convertible Notes into Shares (and no other Convertible Note Holder did so), exercised all of its Existing Options (but no other Existing Options are exercised) and received the maximum number of New Shares under the Underwriting Agreement:

- the total issued capital of the Company at completion of the Entitlement Offer would be some 520,611,864; and
- the Underwriter would have a Relevant Interest at completion of the Entitlement Offer in some 119,083,891 Shares representing approximately 22.87% of the Voting Power in the Company.

This is prior to taking into consideration the acceptance of Entitlements by any other shareholder under the Entitlement Offer or the allocation of New Shares to the sub-underwriters.

The following tables set out the voting power in the Company's Shares for the Underwriter under various scenarios of take-up (assuming that no Options are exercised and no Convertible Notes converted prior to the Record Date, including those issued to the Underwriter).

## Scenario 1 - 100% take up of Entitlements

Under Scenario 1, all Eligible Institutional Investors and all Eligible Retail Shareholders take up their Entitlements under the Entitlement Offer, making the Entitlement Offer fully subscribed. In this case the Underwriter would maintain their existing interest.

Scenario 1 – Entitlement Offer fully subscribed	Total for Company	Samuel Holdings Pty Ltd acquire its Entitlement	
	Number of Shares	Number of Shares	Voting power
Shares on issue pre- Entitlement Offer	405,175,941	3,647,968	0.9%
New Shares issued pursuant to the Entitlement Offer	101,293,985	911,992	
Total post- Entitlement Offer	506,469,926	4,559,960	0.9%



#### Scenario 2 – approximately 50% take up of Entitlements

Under Scenario 2, subscriptions from Eligible Institutional Investors and Eligible Retail Shareholders total 50% of the Entitlement Offer (excluding the Underwriter) and, as a result, the Underwriter is required to subscribe for a total of 50,646,993 New Shares (including its own Entitlement) in accordance with the Underwriting Agreement. This is prior to the allocation of New Shares by the Underwriter under the subunderwriting agreements.

Scenario 2 – Subscriptions total 50% of the Entitlement Offer	Total for Company	Samuel Holdings Pty Ltd acquires 50,646,993 New Shares pursuant to Entitlement and Underwriting Agreement	
	Number of Shares	Number of Shares	Voting power
Shares on issue pre- Entitlement Offer	405,175,941	3,647,968	0.9%
New Shares issued pursuant to the Entitlement Offer	101,293,985	50,646,993	
Total post- Entitlement Offer	506,469,926	54,294,961	10.72%

#### Scenario 3 - approximately 25% take up

Under Scenario 3, subscriptions from Eligible Institutional Investors and Eligible Retail Shareholders total 25% of the Entitlement Offer (excluding the Underwriter) and, as a result, the Underwriter is required to subscribe for 75,970,489 New Shares in accordance with the Underwriting Agreement (including its own Entitlement). This is prior to the allocation of New Shares by the Underwriter under the sub-underwriting agreements.

Scenario 3 – Subscriptions total 25% of the Entitlement Offer	Total for Company	Samuel Holdings Pty Ltd acquires 69,791,902 New Shares pursuant to Entitlement and Underwriting Agreement	
	Number of Shares	Number of Shares	Voting power
Shares on issue pre-Entitlement Offer	405,175,941	3,647,968	0.9%
New Shares issued pursuant to the Entitlement Offer	101,293,985	75,970,489	
Total post- Entitlement Offer	506,469,926	79,618,457	15.72%

There is a takeover threshold of 20% so that any investor acquiring a Relevant Interest in more than 20% of the Voting Power of the Company would be in breach of the Corporations Act unless it could rely on one of the exceptions to that rule. In this case there are no applicable exceptions to this rule.

Under the terms of the Underwriting Agreement, the interest of the Underwriter cannot exceed 20%, however, the Underwriter will not subscribe for more New Shares than equals the lesser of:

- the Retail Entitlement Shortfall; and
- the number of New Shares such that the Underwriter and its Associates would as a result hold no more than 20% of the Voting Power of the Company in aggregate following the issue and allotment of all New Shares.



Accordingly, to the extent that the voting power of the Underwriter may exceed 20%, the number of New Shares able to be issued to the Underwriter will be limited to the number of New Shares that the Underwriter can receive without exceeding a 20% voting power in the Company.

In order to manage and disperse any potential control effect of the Offer:

- the Directors who hold shares in the Company have indicated their intention of taking up their Entitlement (which together will reduce any potential shortfall);
- the Underwriter has obtained sub-underwriting commitments totalling \$4.5 million on usual commercial terms from various parties including some entities who are related parties of the Company as further outlined below. Under the terms of the sub-underwriting agreements, the Underwriter is entitled to a priority underwriting of \$3,729,399 of the Entitlement Shortfall before the balance of the Entitlement Shortfall is allocated to the sub-underwriters;
- the Underwriter and the Company have included the Entitlement Shortfall Facility in this Retail Offer Booklet; and
- the Underwriter has agreed with the Company that Eligible Shareholders who participate in the
  Entitlement Shortfall Facility will be given priority over the Underwriter in respect of any Shortfall
  under the Entitlement Offer (refer to section 4.4 for more details in relation to the allocation policy).

The applications for New Shares received under the Institutional Entitlement Offer and the acceptance of Entitlements by those Directors who hold shares in the Company will reduce the number of New Shares required to be taken up by the Underwriter to a maximum of 75,428,886 New Shares, which would give the Underwriter an interest in 79,998,846 shares representing approximately 15.79% of the voting power in the Company (assuming that the Underwriter and its Associates do not exercise their Existing Options or convert the Convertible Notes which are held by them).

## Institutional Entitlement Offer acceptances and sub-underwriting arrangements

#### DGR Global

Prior to the Entitlement Offer, DGR Global holds approximately 22.43% of the ordinary shares of the Company and six months before the date of this Offer held approximately 23.25% of the ordinary shares of the Company. On Completion of the Offer, DGR Global may, pursuant to the Creep Rule, hold an aggregate of not more than 26.25% of the voting power of the Company following the issue and allotment of all New Shares.

DGR Global has applied for \$2.1 million of New Shares under the Institutional Entitlement Offer, representing 21,000,000 New Shares, which is less than its Entitlement. DGR Global currently holds 90,899,712 Shares and upon receiving these New Shares will hold 111,899,712 Shares, which will represent approximately 22.09% of the voting power of the Company following the issue and allotment of all New Shares. As the Entitlement Offer is fully underwritten, the Relevant Interest of DGR Global will not increase as a result of it taking up its Entitlement. The subscriptions by DGR Global will be settled by cash subscription.

#### **Bizzell Capital Partners**

The Retail Entitlement Offer is also being partially sub-underwritten by BCP, an entity associated with Stephen Bizzell, a director of the Company. As a sub-underwriter, BCP has agreed to sub-underwrite a shortfall of up to \$2.5 million worth of New Shares, being a maximum of 25,000,000 New Shares.

BCP and its Associates currently have an interest in 1,320,174 Shares, 10,130,239 Convertible Notes and 6,500,000 Options. If the Underwriter does not exercise any Existing Options or convert any Convertible Notes, the exercise of its Entitlements and the issue of the maximum number of New Shares under its sub-underwriting arrangements would give them 26,650,218 shares representing approximately 5.26% of the voting power in the Company.



If, before the Record Date, BCP and its Associates converted its Convertible Notes into Shares (and no other Convertible Note Holder did so and no Existing Options are exercised), BCP and its Associates would have upon receipt of the maximum number of New Shares available under its sub-underwriting arrangements an interest in a maximum of 36,780,457 Shares representing approximately 7.12% of the voting power in the Company.

Note that the maximum number of New Shares to be received by BCP under these sub-underwriting arrangements are subject to a priority arrangement with the Underwriter (refer to section 4.4 for details) which may reduce the number of New Shares to be received by BCP.

The Existing Options issued to BCP and its Associates are currently 'out of the money' and accordingly not considered in this analysis.

#### Tribeca

The Retail Entitlement Offer is also being partially sub-underwritten by Tribeca, a financier to the Company under the Tribeca Facility. As a sub-underwriter, Tribeca has agreed to sub-underwrite a shortfall of up to \$2 million worth of New Shares, being 20,000,000 New Shares.

Tribeca and its Associates currently have no interest in any shares in the Company, but have an interest in 41,000,000 Options. If Tribeca does not exercise any Existing Options, then the maximum number of New Shares would give them approximately 3.95% of the voting power in the Company.

If, before the Record Date, Tribeca exercised its Existing Options (and no other Existing Options are exercised) and participated in the Entitlement Offer, Tribeca would have upon receipt of the maximum number of New Shares available under its sub-underwriting arrangements an interest in a maximum of 71,250,000 Shares representing approximately 12.78% of the voting power in the Company.

Note that the maximum number of New Shares to be received by Tribeca under these sub-underwriting arrangements are subject to a priority arrangement with the Underwriter (refer to section 4.4 for details) which may reduce the number of New Shares to be received by Tribeca.

## 3.5 Directors' Interests and Participation

As at the date of this Retail Offer Booklet, some of the Directors have either a direct or indirect interest in Shares. Each of the Directors has indicated that he will take up his Entitlement under the Entitlement Offer.

As set out in section 1.8, the Entitlement Offer is being underwritten by Samuel Holdings Pty Ltd, an entity controlled by Nicholas Mather, a Director and Executive Chairman of the Company.

In addition, as set out above, the Entitlement Offer is being partially sub-underwritten by BCP, an entity controlled by Stephen Bizzell, a Director of the Company.

Set out below is a table summarising the Entitlement of each Director based on their current holding of Shares in the Company (assuming that no Options are exercised or any Convertible Notes are converted before the Record Date), and their *maximum* commitment under an underwriting or sub-underwriting commitment as noted in Section 3.4.



Director	Shares	New Share Entitlement	Underwriting or sub- underwriting commitment (maximum Shares)
Nicholas Mather	3,647,968	911,992	101,293,985
Stephen Bizzell	1,320,174	330,044	25,000,000
Roland Sleeman	58,333	14,538	Nil
William Robert Stubbs	413,183	103,296	Nil
Eytan Uliel	Nil	Nil	Nil

As described in section 5.2 the sub-underwriting entity associated with Mr Bizzell will receive a 3% sub-underwriting fee for its commitment to sub-underwrite the Entitlement Offer.



## 4. How to Apply

#### 4.1 Your choices as an Eligible Retail Shareholder

The number of New Shares to which each Eligible Retail Shareholder is entitled (**Retail Entitlement**) is calculated as at the Record Date of **7:00pm AEST time on 10 August 2018** and is shown on the personalised Entitlement and Acceptance Form accompanying this Retail Offer Booklet. If you have more than one registered holding of Shares, you will be sent more than one Entitlement and Acceptance Form and you will have separate Retail Entitlements for each separate holding.

Eligible Retail Shareholders may:

- (a) take up their Retail Entitlement in full, refer to section 4.2;
- (b) take up their Retail Entitlement in full, and apply for Additional New Shares under the Entitlement Shortfall Facility (refer to Section 4.3);
- (c) take up part of their Retail Entitlement, in which case the balance of their Retail Entitlement would lapse (refer to Section 4.5); or
- (d) allow their Retail Entitlement to lapse (refer to Section 4.6).

Ineligible Retail Shareholders may not take up any of their Retail Entitlement.

Please note that the Retail Entitlement stated on your Entitlement and Acceptance Form may be in excess of the actual Entitlement you may be permitted to take up where, for example, you are holding Shares on behalf of a person in the United States (refer to the definition of Eligible Retail Shareholders in Section 7). Eligible Retail Shareholders should be aware that an investment in the Company involves risks. The key risks identified by the Company are set out in Section 2.

The Company reserves the right to reject any Application that is received after the Closing Date. Unless extended in the discretion of the Company in consultation with the Underwriter, the Closing Date for acceptance of the Retail Entitlement Offer is **5:00pm (AEST time) on 28 August 2018**.

## 4.2 Taking up your Retail Entitlement in Full

If you wish to take up your Retail Entitlement in full, follow the instructions set out on the Entitlement and Acceptance Form.

Forward your completed Entitlement and Acceptance Form together with your cheque or bank draft in Australian currency drawn on and payable at an Australian bank and made payable to "Armour Energy Limited" and crossed "Not negotiable" for the amount shown on the form using the envelope provided to reach the Company's Share Registry, Link Market Services Limited, by no later than **5:00pm (AEST time) on 28 August 2018**, to the appropriate address set out below:

#### By hand delivery (not to be used if mailing)

Armour Energy Limited C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2128

## By Post

Armour Energy Limited C/- Link Market Services Limited GPO Box 3560 Sydney NSW 2001

Entitlement and Acceptance Forms will not be accepted at the Company's registered office.



Eligible Retail Shareholders may submit payments for New Shares applied for using BPAY. In order to use BPAY, please follow the instructions set out on the Entitlement and Acceptance Form. If you make payment by BPAY, you do not need to return your Entitlement and Acceptance Form, however, your payment must be received by no later than **5:00pm (AEST time) on 28 August 2018**. It is your responsibility to ensure that your BPAY payment is received by the Company's share registry by no later than 5:00pm on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should take this into consideration when making payment.

### 4.3 Taking up your Retail Entitlement in full and participating in the Entitlement Shortfall Facility

If you wish to take up all of your Retail Entitlement and also apply for Additional New Shares under the Entitlement Shortfall Facility, complete the accompanying Entitlement and Acceptance Form for New Shares and the Top Up section in accordance with the instructions set out in the form. In order to apply for Additional New Shares under the Entitlement Shortfall Facility you must be an Eligible Retail Shareholder and must have first taken up your Retail Entitlement in full.

Amounts received by the Company in excess of the Issue Price multiplied by your Retail Entitlement (Excess Amount) will be treated as an Application to apply for as many additional New Shares as your Excess Amount will pay for in full.

If you apply for Additional New Shares under the Entitlement Shortfall Facility and your Application is successful (in whole or in part), your Additional New Shares will be issued at the same time that other New Shares are issued under the Retail Entitlement Offer. The basis on which the Directors will allocate and issue Additional New Shares under the Entitlement Shortfall Facility is set out in Section 4.4.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders), or by direct credit to the nominated bank account as noted on the share register as at the Closing Date of the Retail Entitlement Offer.

# 4.4 Allotment and Allocation Policy for Additional New Shares issued under the Entitlement Shortfall Facility

An Entitlement Shortfall will exist if any Eligible Retail Shareholder does not take up their full Retail Entitlement (together with any Institutional Entitlements which have not been taken up under the Institutional Entitlement Offer). Additional New Shares applied for will only be allocated and issued if an Entitlement Shortfall exists – resulting in the Entitlement Offer being undersubscribed.

Armour Energy reserves the right to determine whether a Shareholder is an Eligible Institutional Shareholder, an Ineligible Institutional Shareholder, an Eligible Retail Shareholders or an Ineligible Eligible Retail Shareholder.

Allocation and allotment of any Additional New Shares applied for will be made in accordance with the following policy:

- (a) The Directors will allocate the Entitlement Shortfall Shares to Eligible Retail Shareholders that have applied to take up their full Retail Entitlements and in addition have indicated that they wish to take up their Additional New Shares as provided for in Section 4.3.
- (b) Armour Energy reserves the right to allocate Additional New Shares at its discretion. In exercising its discretion Armour Energy will have regard to facilitating the increase of Shareholders with unmarketable parcels of Shares.
- (c) Once Directors have exhausted the allotment and allocation of Additional New Shares under the Entitlement Shortfall Facility to Eligible Retail Shareholders, then the Company will allocate any remaining Entitlement Shortfall Shares to Eligible Institutional Shareholders that have



applied to take up their full Institutional Entitlements and in addition have indicated that they wish to take up Additional New Shares. Such Additional New Shares will be issued at the same time as all other New Shares are issued under the Retail Entitlement Offer.

- (d) No Related Party or Eligible Retail Shareholder associated with the Directors will participate in the Entitlement Shortfall Facility.
- (e) Once Directors have exhausted the allotment and allocation of Additional New Shares under the Entitlement Shortfall Facility to both Eligible Retail Shareholders and Eligible Institutional Investors, then the Company will call on the Underwriter to take up the remaining Shortfall Shares in accordance with its underwriting obligations under the Underwriting Agreement. Additional New Shares will be issued at the same time as all other New Shares are issued under the Retail Entitlement Offer.
- (f) The Company will not allocate or issue Additional New Shares under the Entitlement Shortfall Facility, where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law. Eligible Retail Shareholders wishing to apply for Additional New Shares must consider whether or not the issue of the Additional New Shares applied for would breach the Corporations Act or the Listing Rules having regard to their own circumstances.
- (g) There is no guarantee that Eligible Retail Shareholders will be successful in being allocated any of the Additional New Shares that they apply for. The Company may reject any Application for Additional New Shares or allocate fewer Additional New Shares than applied for by Applicants for Additional New Shares in accordance with the policy set out above. The Directors reserve the right at their discretion to place a maximum on the number of Additional New Shares that will be issued to Eligible Retail Shareholders who apply for Additional New Shares.

With regards to the allocation of the Underwritten Amount between the Underwriter and its sub-underwriters, the terms of the sub-underwriting agreements provide that the Underwriter will have first priority to underwrite \$3,729,399 of the Entitlement Shortfall before the balance of the Entitlement Shortfall is allocated to the sub-underwriters (on a pro-rata basis if the remaining Entitlement Shortfall is less than the total sub-underwritten amount of \$4.5 million).

#### 4.5 Taking up part of your Retail Entitlement and allowing the balance to lapse

If you wish to take up part of your Retail Entitlement, complete the Entitlement and Acceptance Form for the number of New Shares that you wish to apply for and follow the other steps in accordance with section 4.2.

You may arrange for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If the Company receives an amount that is less than the Issue Price multiplied by your Retail Entitlement (**Reduced Amount**), your payment will be treated as an Application for as many New Shares as your Reduced Amount will pay for in full.

# 4.6 Allowing your Retail Entitlement to lapse

If you do not wish to accept all or any part of your Retail Entitlement, do not take any further action and that part of your Retail Entitlement will lapse.

## 4.7 Consequences of not taking up your Retail Entitlement

If you do not take up all of your Retail Entitlement in accordance with the instructions set out above, any New Shares that you would have otherwise been entitled to under the Retail Entitlement Offer (or New Shares that relate to the portion of your Retail Entitlement that has not been accepted) may be acquired by other Shareholders under the Entitlement Shortfall Facility, and failing that, by the Underwriter.



By allowing all or part of your Retail Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares representing that part of your Retail Entitlement not taken up and you will not receive any value for that part of your Retail Entitlement. Your interest in Armour will also be diluted.

## 4.8 Payment

The consideration for the New Shares is payable in full on Application by a payment of \$0.10 per New Share.

The Entitlement and Acceptance Form must be accompanied by a cheque for the Application Monies. Cheques must be drawn in Australian currency or an Australian bank and made payable to "Armour Energy Limited" and crossed "Not negotiable".

Alternatively, you may arrange for payment of the Application Monies through BPAY or by cheque or bank draft in accordance with the instructions on the Entitlement and Acceptance Form.

Eligible Retail Shareholders must not forward cash. Receipts for payment will not be issued.

# 4.9 Binding effect of Entitlement and Acceptance Form

A payment made through BPAY or the lodgement of an Entitlement and Acceptance Form and corresponding Application Monies in accordance with the instructions contained in this Section 4 and on the Entitlement and Acceptance Form constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Retail Offer Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Application for New Shares. The Directors' decision whether to treat an acceptance as valid is final.

By making a payment through BPAY or lodging an Entitlement and Acceptance Form and corresponding Application Monies, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Retail Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Retail Entitlement Offer;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside Australia, New Zealand, British Virgin Islands, Singapore, Jersey or Hong Kong; and
- (c) you have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than **5.00pm (AEST) on the Closing Date (ie. 28 August 2018)**. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

#### 4.10 Return of Surplus Application Monies

Subject to the issue of any Overallotment Shares, Application Monies received but not applied towards subscriptions for Additional New Shares on an Entitlement Shortfall will be refunded by cheque as soon as reasonably practicable following the allocation of Additional New Shares. No interest will be paid on Application Monies held and returned.



## 4.11 Brokerage, handling fees and stamp duty

No brokerage, handling fees or stamp duty is payable by Applicants in respect of their Applications for New Shares under this Retail Offer Booklet. The amount payable on acceptance will not vary during the period of the Retail Entitlement Offer and no further amount is payable on allotment.

Application Monies will be held in trust in a subscription account until allotment of the New Shares. The subscription account will be established and kept by the Company on behalf of the Applicants. Any interest earned on the Application Monies will be retained by the Company irrespective of whether allotment takes place.

#### 4.12 Notice to nominees and custodians

The Retail Entitlement Offer is being made to all Eligible Retail Shareholders. Nominees or custodians with registered addresses in the eligible jurisdictions, irrespective of whether they participate under the Institutional Entitlement Offer, may also be able to participate in the Retail Entitlement Offer in respect of some or all of the beneficiaries on whose behalf they hold Existing Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Retail Shareholder.

Nominees and custodians who hold Shares as nominees or custodians will have received, or will shortly receive, a letter from the Company. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to:

- (a) beneficiaries on whose behalf they hold Existing Shares who would not satisfy the criteria for an Eligible Retail Shareholder;
- (b) Eligible Institutional Shareholders who received an offer to participate in the Institutional Entitlement Offer (whether they accepted their Institutional Entitlement or not);
- (c) Ineligible Institutional Shareholders who were ineligible to participate in the Institutional Entitlement Offer; or
- (d) shareholders who are not eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

In particular, persons acting as nominees or custodians for other persons may not take up Entitlements on behalf of, or send any documents relating to the Retail Entitlement Offer to, any person in the United States. The Company is not required to determine whether or not any registered holder is acting as a nominee or custodian or the identity or residence of any beneficial owners of Shares.

Where any holder is acting as a nominee or custodian for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Retail Entitlement Offer is compatible with applicable foreign laws. The Company is not able to advise on foreign laws. For the avoidance of doubt, the Company reserves the right (in its absolute sole discretion) to reduce the number of New Shares allocated to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders, if their claims prove to be overstated or they fail to provide information to substantiate their claims. The Company also reserves the right to reject any acceptance of a Retail Entitlement that it believes comes from a person who is not eligible to accept a Retail Entitlement.



#### 4.13 Withdrawal of the Entitlement Offer

Subject to applicable law, the Company reserves the right to withdraw the Retail Entitlement Offer at any time before the issue of New Shares, in which case the Company will refund any Application Monies already received in accordance with the Corporations Act and will do so without interest being payable to applicants. Refund amounts, if any, will be paid in Australian dollars. You will be paid either by direct credit to the nominated bank account as noted on the share register as at the Closing Date or by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders).

#### 4.14 Further enquiries

If you have not received or you have lost your Entitlement and Acceptance Form, or have any questions regarding the Retail Entitlement Offer, please contact the Company Secretary (Karl Schlobohm) on 07-3303 0661 (kschlobohm@armourenergy.com.au) at any time from 8.30am to 5.00pm (AEST) Monday to Friday, before the Retail Entitlement Offer closes at **5.00pm (AEST) on the Closing Date (ie 28 August 2018)**.

If you have any further questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.



#### 5. Material Contracts

#### 5.1 Underwriting Agreement

By an agreement between Samuel Holdings Pty Ltd ACN 063 693 747 (the **Underwriter**) and the Company (**Underwriting Agreement**), the Underwriter has agreed to fully underwrite the Entitlement Offer to the amount of \$10,129,399 (**Underwritten Amount**).

The key terms of the Underwriting Agreement including the fees the Company has agreed to pay the Underwriter are outlined in Section 1.8.

All definitions and clauses referred to in the below summary are as applied in the Underwriting Agreement.

The Company has given warranties and covenants to the Underwriter which are of the type and form that is usual in an underwriting agreement of this nature.

#### **Termination**

The obligation of the Underwriter to fully underwrite the Offer to the Underwritten Amount is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if any of the following events occurs:

- (a) the S&P/ASX 200 Index being at any time for 5 consecutive business days (in Brisbane) after the date of acceptance of Agreement but prior to the date of allotment of the New Shares, more than 10% below the level of that Index as at the close of ASX trading on the Trading Day (as that term is defined in the ASX Listing Rules) immediately before the date of lodgement of the Retail Offer Booklet;
- (b) any circumstance arising after lodgement of the Retail Offer Booklet that results in the Company either repaying the money received from applicants under the Entitlement Offer (other than to applicants whose applications were not accepted in whole or in part) or offering applicants an opportunity to withdraw their applications for New Shares and be repaid their application money;
- (c) other than as contemplated by the Retail Offer Booklet, either the Company or Armour Surat taking any steps to alter its capital structure or constitution without the prior written consent of the Underwriter (such consent not to be unreasonably withheld);
- (d) a judgment in an amount exceeding \$500,000 being obtained against the Company or Armour Surat, and which is not set aside or satisfied within 21 days;
- (e) any distress, attachment, execution or other process of a governmental agency in an amount exceeding \$500,000 being issued against, levied or enforced upon any of the assets of the Company or Armour Surat and not set aside or satisfied within 21 days;
- (f) the Company or Armour Surat passing or taking any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter;
- (g) the Company or Armour Surat suspending payment of their debts generally;
- (h) the Company or Armour Surat is or becoming unable to pay its debts when they are due or is or becoming unable to pay its debts within the meaning of the Corporations Act) or is presumed to be insolvent under the Corporations Act;



- (i) the Company or Armour Surat entering into or resolving to enter into any arrangement, composition or compromise with, or assignment for the benefit of its creditors or any class of them;
- (j) a statement contained in the Retail Offer Booklet being materially misleading or deceptive, or a matter required by the Corporations Act to be included being omitted from the Retail Offer Booklet, or the Retail Offer Booklet does not materially comply with the Corporations Act, the ASX Listing Rules, or any other applicable piece of legislation or regulation;
- (k) hostilities, political or civil unrest not presently existing (whether war has been declared or not) commencing, or a major escalation in existing hostilities, political or civil unrest occurring (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Indonesia, Singapore, Malaysia, Hong Kong, North Korea or the Peoples Republic of China, or a significant terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world which is materially prejudicial to Armour, Armour Surat or the Entitlement Offer;
- (I) trading in securities generally has been suspended or materially limited, for at least one trading day, by any of the New York Stock Exchange, the London Stock Exchange or the ASX PROVIDED THAT if trading in Armour's securities is halted (as necessary) to give effect to the Entitlement Offer, that will not be an Event of Default;
- a change occurring in the board of directors, CEO or other senior executive of the Company to which the Underwriter does not provide written consent (such consent not to be unreasonably withheld);
- (n) there being a material adverse change (as determined by the Underwriter acting reasonably) to Armour or Armour Surat or any of their respective assets or businesses or prospects during the term of the Entitlement Offer PROVIDED THAT a failure of Armour Surat to achieve a hydrocarbon flow rate from the Myall Creek Well of more than 100,000 ft³ per day will not be a material adverse change;
- (o) there being a material contravention by either Armour or Armour Surat of the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation; and
- (p) any material adverse change or disruption occurring in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or in the international financial markets or any material adverse change occurring in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter reached in good faith after consultation with the Company, it is impracticable to market the Entitlement Offer or to enforce contracts to issue, allot or transfer the New Shares or that the success of the Entitlement Offer is likely to be adversely affected; legal proceedings and offence by Directors;
- (q) material legal proceedings (including any application for that Takeovers Panel) commencing against either:
  - (1) the Company; or
  - (2) any director of the Company, or
  - any director of the Company is disqualified from managing a corporation under section 206A Corporations Act;



- (r) a material contravention by either Armour or Armour Surat of the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation;
- (s) any notification is made of an application by ASIC for an order under Part 9.5 Corporations Act in relation to the Retail Offer Booklet, or ASIC commences any investigation or hearing under Part 3 Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Retail Offer Booklet;
- (t) the Company issuing a public statement concerning the Entitlement Offer which has not been approved by the Underwriter (such approval not to be unreasonably withheld);
- (u) the Company breaching any of its material obligations under the Underwriting Agreement;
- (v) any representation or warranty contained in the Underwriting Agreement on the part of the Company being breached or becoming false, misleading or incorrect to a material extent;
- (w) an event specified in section 652C(1) or section 652C(2) of the Corporations Act occurring (replacing 'target' as used in those sections with 'Company'); or
- (x) any of the following occurring which does or is likely to prohibit, materially restrict or regulate the Entitlement Offer or materially reducing the likely level of valid applications for New Shares or materially affecting the financial position of the Company or Armour Surat or having a material adverse effect on the success of the Entitlement Offer:
  - (1) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia; or
  - (2) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory or the Reserve Bank of Australia.

#### 5.2 Sub-underwriting Agreements

The Company and the Underwriter have entered into sub-underwriting agreements with each of:

- (a) BCP for the maximum amount of \$2.5 million; and
- (b) Tribeca for the maximum amount of \$2 million.

Under these sub-underwriting agreements, the Company has agreed to pay a fee of 3% of the funds sub-underwritten to the sub-underwriters.

## 5.3 Tribeca Facility

As announced to the ASX on 26 July 2018, the Company and an Armour subsidiary, Armour Energy (Surat Basin) Pty Ltd (**Armour Surat**) have entered into a credit facility agreement with Tribeca Investment Partners Pty Ltd (**Tribeca**) for the provision by Tribeca of an environmental bonding finance facility to Armour Surat (the **Tribeca Facility**).

Pursuant to the terms of the Tribeca Facility, Tribeca will lend up to \$6.8 million to Armour Surat secured by way of:

- (a) a second ranking specific security interest over money that is currently embargoed under a Flawed Asset Arrangement with Westpac Banking Corporation (**WBC**); and
- (b) a second ranking featherweight floating charge over the assets of Armour Surat.



The Company will guarantee Armour Surat's obligations under the Tribeca Facility.

The term of the Tribeca Facility is 36 months from drawdown, with the Company able to prepay all or part of the outstanding principal at any time without penalty. Interest is payable quarterly in arrears at an agreed commercial rate.

If at any time any of the cash which is subject to the security interest held by WBC is no longer subject to, and is no longer required to be subject to, that security in favour of WBC, then such amounts must be immediately applied in mandatory prepayment of all or part of the outstanding principal under the Tribeca Facility.

Under the terms of the Tribeca Facility, the Company was required to issue (within 10 business days of entry into the Tribeca Facility or upon the earlier drawdown of the facility) 41,000,000 options to Tribeca (or entities associated with Tribeca) having an exercise price of \$0.166 and an expiration date of 36 months from the date of first drawdown under the facility. If applicable, the exercise price paid will be set-off against any outstanding balance under the Tribeca Facility at the time of exercise of the options. These options have been issued by the Company (as detailed in section 3.2).

#### 5.4 GAP Agreement

The Company successfully applied for a grant under the Gas Acceleration Program and, as announced to the ASX on 29 June 2018, has now entered into a standard form of agreement with the Commonwealth Department of Industry, Innovation and Science in support of that grant.

Pursuant to the terms of that agreement the total amount of the Grant is \$6m over a 3 year period (plus GST if applicable) (**Grant**). The Grant will be provided in accordance with the Grant Opportunity Guidelines over a 3 year period, subject to satisfactory progress towards milestones and availability of program funds. As announced on 26 June 2018, Armour has received \$2.3 million (net of GST) under the initial provision of funding under the Grant.

To secure the full grant Armour will be required to affect expenditure totalling some \$10,130,468.

Under the agreement, the Commonwealth has powers to both withhold the payment of grant funds and to require Armour to repay any grant funds that have already been given to Armour in certain circumstances, including where the Commonwealth terminates the agreement because Armour has failed to comply with an obligation under the agreement.

#### 5.5 Amendment to the Note Deed

As noted in Section 2.3(a) and Section 5.6 below and as announced to the ASX on 26 July 2018, the Company has agreed with MHC to amendments to the Note Deed in order to resolve a dispute with MHC regarding the appointment of Mr Roger Cressey as CEO of the Company. Further to the announcement of 26 July 2018, the Company has now secured the approval of Noteholders to the amendments to the Note Deed.

The amendments to the Note Deed provide for:

- (a) the extension of the "test date" for the exercise by MHC of its Early Redemption Rights from 30 June 2018 to 31 December 2018;
- (b) the inclusion of an unremedied default under the Tribeca Facility as a Holder Redemption Event under the Note Deed,

(Note Deed Amendment).



#### 5.6 MHC Settlement Deed

As noted in sections 2.3(a) and 5.5 and as announced to the ASX on 26 July 2018, the Company has entered into the MHC Settlement Deed in order to resolve a dispute with MHC regarding the appointment of Mr Roger Cressey as CEO of the Company.

Under the terms of the MHC Settlement Deed:

- (a) Armour and MHC and MHC Fund agreed to use all reasonable endeavours to cause and procure the Note Deed Amendment as outlined in section 5.5 above);
- (b) Armour and MHC and MHC Fund agree that:
  - (i) if Mr Cressey is replaced by the Company before 30 November 2018 and a dispute still exists between the Company and MHC in relation to the new appointment, then the parties will submit to an arbitration process (as detailed in the MHC Settlement Deed) after that date;
  - (ii) if Mr Cressey remains the CEO through until 31 December 2018, or if a dispute otherwise still exists between the Company and MHC with regards to the appointment of a CEO by the Company, then MHC will have the right to exercise their Early Redemption Right; and
  - (iii) if an arbitration process is in progress and has not been completed when MHC exercise their Early Redemption Right, then Armour will not be required to act on that exercise of the Early Redemption Right until the arbitration process is completed and then only if the decision arising from the arbitration process is in favour of MHC.
- (c) MHC and MHC Fund consented to the Company entering into the Tribeca Facility;
- (d) MHC and MHC Fund consented to the Company undertaking the Entitlement Offer;
- (e) MHC and MHC Fund consent to Armour seeking to raise further funds on or before 31 December 2018 on such appropriate commercial terms as determined by the Board of Armour; and
- (f) the Company has agreed to pay legal fees of MHC up to an agreed amount.

#### 5.7 Quadripartite Agreement

Under the Quadripartite Agreement, as amended, between the Company, MHC, DGR and BCP, MHC have a first right of refusal to participate in, fund, or both participate in and fund a maximum of 25% of the underwriting of the Entitlement Offer.

The Company has given notice to MHC and MHC was required to elect within 3 business days of being given notice of the proposed Entitlement Offer whether it wished to take up its rights.

MHC has not elected to do so.



#### 6. Additional information

#### 6.1 Responsibility for this Retail Offer Booklet

This Retail Offer Booklet has been prepared by the Company. No party other than the Company has authorised or caused the issue of this Retail Offer Booklet, or takes any responsibility for, or makes or gives any statements, representations or undertakings in, this Retail Offer Booklet.

#### 6.2 Section 708AA Corporations Act

The Company is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the Corporations Act. Under those obligations, the Company is obliged to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules. That information is available to the public from ASX and can be accessed at www.asx.com.au.

This Retail Offer Booklet is issued under Section 708AA of the Corporations Act. This section enables disclosing entities to issue a Retail Offer Booklet in relation to securities in a class of securities which has been quoted by ASX at all times during the 12 months before the date of the Retail Offer Booklet, or options to acquire such securities. Apart from formal matters, this Retail Offer Booklet need only contain information that:

- (a) is excluded information as at the date of the Retail Offer Booklet pursuant to sections 708AA (8) and (9) (Excluded Information); and
- (b) states:
  - (1) the potential effect the issue of the New Shares will have on the control of the Company; and
  - (2) the consequences of that effect.

In addition, as a result of ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84, section 708AA(12) requires that if, after the notice required under section 708AA(2)(f) (Cleansing Notice) has been lodged and before the New Shares are issued (Relevant Period) the Company becomes aware of:

- (a) any information that would be Excluded Information for the purpose of the Cleansing Notice; or
- (b) a material change to the potential effect the issue of the relevant securities will have on the control of the Company or the consequences of that effect,

#### (Additional Information),

the Company must disclose that Additional Information to the ASX as soon as practicable and before the end of the Relevant Period.

Accordingly, the Company will disclose by announcement to the ASX any Additional Information that it becomes aware of during the Relevant Period.

#### **6.3** Rights and liabilities attaching to New Shares

The New Shares will have from issue the same rights attaching to all existing Shares on issue.

The rights attaching to ownership of the New Shares are set out in the Company's Constitution, a copy of which is available for inspection at the registered office of the Company during business hours.

This Retail Offer Booklet does not contain a summary of the principal rights and liabilities of holders of the New Shares.



#### 6.4 Allotment, quotation and trading

The Company has or will apply for quotation of the New Shares on ASX in accordance with Listing Rule requirements. If ASX does not grant quotation of the New Shares, the Company will repay all Application Monies (without interest). Subject to ASX approval being granted, it is expected that the New Shares allotted under the Retail Entitlement Offer will commence trading on a normal basis on 5 September 2018. Application Monies will be held by the Company on trust for Applicants until the New Shares are allotted. No interest will be paid on Application Monies, and any interest earned on Application Monies will be for the benefit of the Company and will be retained by the Company irrespective of whether New Shares are issued. It is the responsibility of Applicants to determine the number of New Shares allotted and issued to them prior to trading in the New Shares. The sale by an Applicant of New Shares prior to receiving their holding statement is at the Applicant's own risk. The Company and the Underwriter disclaims all liability whether in negligence or otherwise (to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by the Company or the Share Registry or otherwise.

#### 6.5 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been made or accepted.

#### 6.6 Not financial product or investment advice

This Retail Offer Booklet and the accompanying Entitlement and Acceptance Form is for information purposes only and is not a prospectus, disclosure document or other offering document under the Corporations Act or any other law and has not been lodged with ASIC. It is also not financial product or investment advice or a recommendation to acquire New Shares and has been prepared without taking into account your objectives, financial circumstances or particular needs. This Retail Offer Booklet should not be considered to be comprehensive and does not purport to contain all the information that you may require to make a decision about whether to submit your Entitlement and Acceptance Form and invest in New Shares.

Before making an investment decision, you should consider the appropriateness of the information in this Retail Offer Booklet having regard to your own objectives, financial situation and needs and seek legal and taxation advice appropriate to your jurisdiction. If you have any questions about whether you should participate in the Entitlement Offer, you should seek professional financial advice before making any investment decision. The Company is not licensed to provide financial product advice in respect of New Shares.

#### 6.7 Ineligible Shareholders

All Shareholders who do not satisfy the criteria to be an Eligible Retail Shareholder or an Eligible Institutional Shareholder, are Ineligible Shareholders. Ineligible Shareholders are not entitled to participate in the Entitlement Offer, unless the Company otherwise determines. The restrictions upon eligibility to participate in the Entitlement Offer arise because the Company has determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to extend the Entitlement Offer to Ineligible Shareholders. This decision has been made after taking into account the relatively small number and value of New Shares to which those Shareholders would otherwise be entitled and the potential costs of complying with legal and regulatory requirements in the jurisdictions in which the Ineligible Shareholders are located in relation to the Entitlement Offer. The Company, in its absolute discretion, may extend the Entitlement Offer to any Shareholder if it is satisfied that the Entitlement Offer may be made to the Shareholder in compliance with all applicable laws. The Company, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible



Retail Shareholder, an Eligible Institutional Shareholder or an Ineligible Shareholder. To the maximum extent permitted by law, the Company disclaims all liability in respect of such determination.

The price at which the Ineligible Entitlements will be sold is the Issue Price. Accordingly, Ineligible Shareholders will not receive any value as a result of the issue of any of those New Shares they would have been entitled to subscribe for had they been eligible to participate in the Entitlement Offer.

#### 6.8 Expenses of the Entitlement Offer

All expenses connected with the Entitlement Offer are being borne by the Company. Total expenses of the Entitlement Offer are estimated to be in the order of \$400,000, including underwriting and sub-underwriting fees.

#### 6.9 Consents and disclaimers

Written consents to the issue of this Retail Offer Booklet have been given and at the time of this Retail Offer Booklet have not been withdrawn by the following parties:

Link Market Services Limited has given and has not withdrawn its consent to be named in this Retail Offer Booklet as the Share Registry of the Company in the form and context in which it is named. It has had no involvement in the preparation of any part of this Retail Offer Booklet other than recording its name as Share Registry to the Company. It takes no responsibility for any part of the Retail Offer Booklet other than the references to its name.

HopgoodGanim has given and has not withdrawn its consent to be named in this Retail Offer Booklet as solicitors to the Retail Entitlement Offer in the form and context in which it is named. It takes no responsibility for any part of the Retail Offer Booklet other than references to its name.

Samuel Holdings Pty Ltd has given and has not withdrawn its consent to be named in this Retail Offer Booklet as the Underwriter in the form and context in which it is named. It takes no responsibility for any part of the Retail Offer Booklet other than references to its name.

#### 6.10 Directors' statement

This Retail Offer Booklet is issued by Armour Energy Limited. Each Director has consented to the lodgement of the Retail Offer Booklet with ASX.

Signed on the date of this Retail Offer Booklet on behalf of the Company by:

Roland Sleeman

Non-executive Director

K Sleema

**Armour Energy Limited** 



## 7. Definitions and Glossary

Terms and abbreviations used in this Retail Offer Booklet have the following meaning:

Accentance	An acceptance of Entitlements	
Acceptance	An acceptance of Entitlements.	
Additional New Shares	Those New Shares which Eligible Retail Shareholders may apply for under the Entitlement Shortfall Facility in excess of their Retail Entitlement, in the event that there is an Entitlement Shortfall as described in Section 1.4.	
Applicant	An Eligible Retail Shareholder who has applied to subscribe for New Shares by returning an Entitlement and Acceptance Form or by arranging for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.	
Application	Application for New Shares by applying in accordance with the instruction on an Entitlement and Acceptance Form.	
Application Monies	The aggregate amount payable for the New Shares applied for through BPAY and/or received via post, calculated as the Issue Price multiplied by the number of New Shares applied for.	
Armour Surat	Armour Energy (Surat Basin) Pty Ltd ACN 607 504 905.	
ASIC	Australian Securities & Investments Commission.	
Associate	An associate for the purposes of Chapter 6 of the Corporations Act.	
ASX or Australian Securities Exchange	ASX Limited ACN 008 624 691.	
ВСР	Bizzell Capital Partners Pty Ltd	
Board	The board of Directors of the Company.	
Business Day	Has the same meaning as in the Listing Rules.	
CHESS	The Clearing House Electronic Sub Register System, an automated transfer and settlement system for transactions in securities quoted on the ASX under which transfers are affected in paperless form.	
Closing Date	5:00pm (AEST) on 28 August 2018, being the date the Entitlement Offer closes.	
Company or Armour	Armour Energy Limited ACN141 198 414.	
Constitution	The constitution of the Company.	
Convertible Note	An unlisted, interest-bearing, partially secured debt security, which is convertible at the holder's election into fully-paid ordinary shares in the Company at a conversion price of 11 cents per share, through to 30 September 2019 and otherwise on those terms of issue approved at the general meetings of the Company's shareholders held on 14 December 2016 and 31 May 2017.	
Convertible Note Holder	The holders of Convertible Notes.	
Corporations Act	Corporations Act 2001 (Cth).	
Creep Rule	The rule under item 9 of section 611 of the Corporations Act which enables a person to increase their holding by not more than 3% during any 6 month period.	
	ı	



DGR Global	DGR Global Limited ACN 052 354 837.	
Director	A director of the Company.	
Early Redemption Right	Has the meaning given to that term in section 2.3(a).	
Eligible Institutional Shareholder	A Shareholder who:  (a) is an institutional or sophisticated Shareholder on the commencement of the Institutional Entitlement Offer with a registered address in either Australia, New Zealand, British Virgin Islands, Singapore, Jersey or Hong Kong; and  (b) has received an offer under the Institutional Entitlement Offer (either directly or through a nominee).	
Eligible Retail Shareholder	As defined in section 1.5.	
Entitlement	The entitlement to subscribe for New Shares pursuant to the Entitlement Offer.	
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Retail Offer Booklet.	
Entitlement Offer	The pro rata, non-renounceable offer to Eligible Shareholders to subscribe for 1 New Share for every 4 Shares of which the Shareholder is the registered holder as at 7:00pm (AEST) on the Record Date, at an Issue Price of \$0.10 per New Share and includes both the Institutional Retail Entitlement Offer conducted before the date of this Retail Offer Booklet, and the Retail Entitlement Offer made pursuant to this Retail Offer Booklet.	
Entitlement Shortfall	A shortfall between the number of New Shares applied for under the Entitlement Offer and the number of New Shares offered to Eligible Shareholders under the Entitlement Offer (encompassing both the Institutional Entitlement Offer and the Retail Entitlement Offer).	
Entitlement Shortfall Facility	The facility described in Section 4.2 under which Eligible Retail Shareholders and Eligible Institutional Shareholders may apply for Additional New Shares in excess of their Entitlement.	
<b>Entitlement Shortfall Shares</b>	Any New Shares not taken up pursuant to the Entitlement Offer.	
Existing Options	All existing Options to subscribe for Shares currently on issue as at the date of this Retail Offer Booklet.	
Ineligible Institutional Shareholder	A Shareholder who is an institutional or sophisticated Shareholder on the Record Date with a registered address outside Australia and New Zealand, and that the Company determines will be an Ineligible Institutional Shareholder for the purposes of the Institutional Entitlement Offer.	
Ineligible Retail Shareholder or Foreign Retail Shareholders	A Shareholder (or beneficial holder of Shares) on the commencement of the Entitlement Offer with a registered address outside Australia or New Zealand, or any other jurisdiction that the Company and the Underwriter agree that ASX Listing Rule 7.7.1(a) applies to.	
Institutional Entitlement	Entitlements under the Institutional Entitlement Offer.	
Institutional Entitlement Offer	The offer of Shares to Eligible Institutional Shareholders under the Entitlement Offer.	



Investor Presentation	The presentation to investors dated 10 August 2018, incorporated in Section 2 of this Retail Offer Booklet.		
Issue Price	\$0.10 for each New Share applied for.		
Listing Rules	The official listing rules of ASX.		
МНС	M.H. Carnegie & Co Pty Limited ACN 146 859 341		
MHC Settlement Deed	Settlement Deed between the Company and MHC dated 26 July 2018 with respect to the dispute arising from the appointment of Roger Cressey as CEO of the Company.		
New Shares	Shares to be allotted and issued under the Entitlement Offer, and including where the context requires, Shortfall Shares issued under the Shortfall Facility or to the Underwriter.		
Note Deed	The Convertible Redeemable Note Trust Deed between the Company and Perpetual Corporate Trust Limited dated 9 December 2016 as amended by the Amending Deed dated on or about 30 May 2017		
Note Deed Amendment	Has the meaning given in section 5.5.		
Note Holders	The holders of convertible notes under the Note Deed.		
Opening Date	9:00am (AEST) on 15 August 2018, being the date the Retail Entitlement Offer opens.		
Option Holders	The holders of the Existing Options.		
Professional Investor	Has the meaning given to that term in the Corporations Act.		
Qualified Investors	An investor who is either a Sophisticated or Professional Investor.		
Record Date	7:00pm (AEST time) 10 August 2018.		
Related Party	A related party for the purposes of the Corporations Act.		
Relevant Interest	Has the meaning given in the Corporations Act.		
Retail Entitlement	Entitlements under the Retail Entitlement Offer.		
Retail Entitlement Offer	The pro rata non-renounceable offer to Eligible Retail Shareholders of up to approximately 101,293,985 New Shares at an issue price of \$0.10 per New Share on the basis of one (1) New Share for every four (4) Shares held at the Record Date.		
Retail Offer Booklet	This Retail Offer Booklet dated 10 August 2018.		
Share	A fully paid ordinary share in the capital of the Company.		
Share Registry	Link Market Services Limited ACN 083 214 537.		
Shareholder	A holder of Shares.		
Sophisticated Investor	Has the meaning given to that term in the Corporations Act.		
Tribeca	Tribeca Investment Partners Pty Ltd.		
Tribeca Facility	Has the meaning given to that term in section 5.3.		
Underwritten Amount	Has the meaning given in section 5.1.		
Underwriter	Samuel Holdings Pty Ltd ACN 656 550 503.		
	· · · · · · · · · · · · · · · · · · ·		



Underwriting Agreement	The underwriting agreement between the Company and the Underwriter dated on or about 7 August 2018.	
US Securities Act	The US Securities Act of 1933, as amended.	
Voting Power	has the same meaning as in the Corporations Act.	



## 8. Corporate Directory

Directors and Company Secretary	Solicitors to the Entitlement Offer
Mr Nicholas Mather (Executive Chairman)	HopgoodGanim Lawyers
Mr William (Bill) Stubbs (Non-Executive Director)	Level 8 Waterfront Place
Mr Roland Sleeman (Non-Executive Director)	1 Eagle Street
Mr Stephen Bizzell (Non-Executive Director)	Brisbane QLD 4000
Mr Eytan Uliel (Non-Executive Director)	Tel: +61 7 3024 0000
Mr Karl Schlobohm (Company Secretary)	www.hopgoodganim.com.au
Administration and Registered Office	Share Registry
Armour Energy Limited	Link Market Services Limited
Level 27, 111 Eagle Street	Level 21
Brisbane QLD 4000	10 Eagle StreetBrisbane QLD 4000
Tel: +61 7 3303 0680	Tel: 1300 554 474
www.armourenergy.com.au	www.linkmarketservices.com.au
Underwriter	
Samuel Holdings Pty Ltd	
Level 27, 111 Eagle Street	
Brisbane QLD 4000	
Tel: +61 7 3303 0680	



## **Important Information and Disclaimer**



This investor presentation has been prepared by Armour Energy Limited ACN 141 198 414 (Armour or the Company) in relation to the non-renounceable entitlement offer of new fully-paid ordinary shares in Armour under section 708AA of the Corporations Act 2001 (Cth) under the Offer Booklet dated 10 August 2018 (Entitlement Offer).

This presentation is not a prospectus, disclosure document or offering document under Australian law or under any other law. It is for informational purposes only. This document does not constitute, and should not be construed as, an offer to issue or sell or a solicitation of an offer or invitation to subscribe for, buy or sell securities in Armour. Applications for shares under the Entitlement Offer can only be made in accordance with, and using an application form attached to, the Offer Booklet for the Entitlement Offer.

Any material used in this presentation is only an overview and summary of certain data selected by the management of Armour. The presentation does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in Armour nor does it contain all the information which would be required in a disclosure document prepared in accordance with the requirements of the Corporations Act and should not be used in isolation as a basis to invest in Armour. Recipients of this presentation must make their own independent investigations, consideration and evaluation of Armour. Armour recommends that potential investors consult their professional advisor/s and consider the announcements published by Armour with the ASX as an investment in Armour is considered to be speculative in nature.

Statements in this presentation are made only as of the date of this presentation unless otherwise stated and the information in this presentation remains subject to change without notice. Reliance should not be placed on information or opinions contained in this presentation.

To the maximum extent permitted by law, Armour and Samuel Holdings Pty Ltd ACN 656 550 503 (Underwriter) and any of their affiliates or related bodies corporate disclaim any responsibility to inform any recipient of this presentation on any matter that subsequently comes to its notice which may affect any of the information contained in this document and presentation and undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. While reasonable care has been taken to ensure that facts stated in this presentation are accurate and/or that the opinions expressed are fair and reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or its completeness.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in or derived from this presentation or any omission from this presentation or of any other written or oral information or opinions provided now or in the future to any person.

To the maximum extent permitted by law, neither Armour nor, any affiliates, related bodies corporate and their respective officers, directors, employees, advisors and agents (Relevant Parties), nor any other person, accepts any liability as to or in relation to the accuracy or completeness of the information, statements, opinions or matters (express or implied) arising out of, contained in or derived from this presentation or any omission from this presentation or of any other written or oral information or opinions provided now or in the future to any person.

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This presentation contains "forward looking statements" concerning the financial condition, results of operations and business of Armour. All statements other than statements of fact or aspirational statements, are or may be deemed to be "forward looking statements". Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "continue", "outlook", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, future or anticipated production or construction commencement dates and expected costs, resources or reserves, exploration results or production outputs, estimated future costs of sale of minerals, production rates, potential improvements to financial and operating performance that may result from any action or initiatives, expectations regarding future price assumptions, financial performance and other outlook or guidance and estimated timing and conclusions of technical reports, other studies and mining operations.

## **Important Information and Disclaimer (continued)**



Forward looking statements are statements of future expectations that are based on management's current expectations and assumptions and known and unknown risks and uncertainties that could cause the actual results, performance or events to differ materially from those expressed or implied in these statements. These risks include, but are not limited to price fluctuations, actual demand, currency fluctuations, drilling and production results, commercialisation reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of us. As these statements are cautionary, these should not be relied on in making your decision. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

The forward-looking statements in this presentation speak only as of the date of this presentation. Nothing in this presentation will under any circumstances create an implication that there has been no change in the affairs of Armour since the date of the presentation.

This presentation does not constitute an offer of shares in Armour in any jurisdiction in which it would be unlawful. Shares offered under the Entitlement Offer will only be available to shareholders of Armour as at the relevant record date who have a registered address in Australia and New Zealand (for the Institutional and Retail Offers) and British Virgin Islands, Singapore and Hong Kong (for the Institutional Offer only). This presentation is not for publication, distribution or release in or into the United States or to any person located in the United States and does not constitute an offer to sell, or a solicitation to buy, any securities in the United States.

Estimates of petroleum reserves and resources are taken from the ASX announcement made by the Company on 14 May 2018 and referenced reports AEP021\_Armour Surat Basin Reserves Update\_Rev1, May 14, 2018, AEP022\_Armour Basal Rewan Contingent Resource Estimation\_Rev2, May 14, 2018, AEP022\_Surat Prospects and Leads Resources\_Main\_Rev1, May 14, 2018, AEP022\_Surat Prospects and Leads Resources\_ATP754\_Rev1, May 14, 2018, AEP022\_Surat Prospects and Leads Resources\_PL71 Exploration\_Rev1, May 14, 2018, which contains the statements and consents relevant to those estimates. Armour confirms that it is not aware of any new information or data that affects the information included in the relevant market announcement and that all of the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Statements in this presentation as to gas and mineral resources has been compiled from data provided by Armour's Chief Geologist, Mr Luke Titus. Mr Titus' qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. Mr Titus' has over 20 years of relevant experience in both conventional and unconventional oil and gas exploration in various international hydrocarbon basins. Mr Titus has sufficient experience that is relevant to Armour's reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules 5.11. Mr Titus consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

## **Entitlement Offer: Highlights**



- ➤ 1 for 4 Accelerated non renounceable entitlement offer of shares to existing eligible shareholders in Armour Energy Ltd.
- Issue price of \$0.10 per new share.
- Fully Underwritten by Samuel Holdings Pty Ltd as Trustee for the Samuel Discretionary Trust, an entity controlled by Armour Director Nicholas Mather.
- Nominal Underwriting Fee of \$1.00 payable to Samuel Holdings.
- Armour to pay a Fee of 3% to ASX member brokers delivering stamped applications.
- Sub-underwriting Fee of 3% payable by Armour to third-party sub-underwriters.
- Funds raised to assist with costs of drilling, stimulating and completing 3 Kincora area Development Wells at the Company's Kincora Gas Project.
- Strengthens Armour's Balance Sheet.
- Provides shareholders with an opportunity to take part in the next financing stages of Armour's growth phase.

## **Entitlement Offer: Sources and Uses of Funds**



## Through to 31 December 2018

Sources of Funds	\$'m	Uses of Funds	\$'m
Cash on Hand (at 30 June 2018)	5.10	Kincora Area development wells 1,2,3 Payments to Drill, Complete & Connect <sup>(3)</sup>	12.82
Underwritten Proceeds of Accelerated Entitlement Offer <sup>(1)</sup>	10.13	Kincora Operating Costs	7.45
Tribeca Facility	6.50	Corporate overheads	4.73
GAP Grant funding <sup>(2)</sup>	2.17	Costs of Accelerated Entitlement Offer	0.40
Kincora Operating Revenues	15.77	Creditors & Accruals	5.61
		Cash for working capital	8.66
Total	39.67	Total	39.67

<sup>(1)</sup> Fully Underwritten by Samuel Holdings Pty Ltd as Trustee for the Samuel Discretionary Trust, an entity controlled by Armour Director Nicholas Mather.

<sup>(2)</sup> As announced on 28 March 2018, Armour is a recipient of a grant under the Australian Government's Gas Acceleration Program (GAP). The GAP grant provides funding on a cost-contribution basis up to a maximum 50% of the Company's costs for the drilling, completion and connection of 4 wells. Armour will receive up to \$6m in funding for the drilling of 4 production wells by end June 2019.

<sup>(3)</sup> Kincora Area development wells reflect payments to 31/12/2018. Additional payments of \$3.41m are expected in Q3.

## **Entitlement Offer: Timetable**



Event	Date
Announcement of Entitlement Offer	8 August 2018
Institutional Offer Conducted	8-9 August 2018
Retail Offer – Record Date	10 August 2018
Retail Offer – Despatch of Documents	15 August 2018
Retail Offer – Opening Date	15 August 2018
Institutional Offer – Quotation of Shares Issued	17 August 2018
Retail Offer – Closing Date	28 August 2018
Retail Offer – Results Announced	31 August 2018
Retail Offer – Allotment of Shares	4 September 2018
Retail Offer – Quotation of Shares Issued	5 September 2018

## **Entitlement Offer: Capital Structure Details**



Shares	Number
Shares on issue	405,175,941
New Shares to be issued under the Entitlement Offer	101,293,985
Shares on issue following the Entitlement Offer	506,469,926
Options <sup>(1)</sup>	
Options on issue <sup>(2)</sup>	67,875,000
Convertible Notes <sup>(1)</sup>	
Convertible Notes on issue <sup>(3)</sup>	375,200,950

The above table outlines the securities on issue as at 8 August 2018:

<sup>&</sup>lt;sup>(1)</sup>The options and convertible notes are not listed on ASX.

<sup>(2)</sup> The options are exercisable at various prices between \$0.166 and \$0.50 and expire at various dates between 30/08/2018 and 31/07/2021.

<sup>(3)</sup>The Convertible Notes have a face value of \$0.11, interest rate of 15% pa paid half yearly in arrears, are convertible at any time at the holders election into 1 share for each note held, are secured over the assets of the Company and mature on 30/09/2019. The full terms can be found on the Armour Energy website: https://www.armourenergy.com.au/terms-of-convertible-notes/

## **Investment Highlights**



- Independent oil and gas production company with significant growth potential
- Strongly growing East Coast Australia gas market setting with strong demand growth and pricing
- First two stages of Armour's 4 stage growth plan executed with Kincora Gas Plant recommissioned and production commenced
- Currently producing at 9TJ/day sales together with associated liquids and LPG
- Drilled and completed Myall Creek 4A well with encouraging initial gas flows
- Production ramp up targeted from existing wells and planned new wells
- GAP grant recipient providing up to \$6m of funding from the Federal Government to accelerate field development
- Portfolio of quality exploration and appraisal projects in NT and north Queensland provide additional long term value drivers

## **Armour Energy - Projects Summary**

## Premier Assets and Proven Operational Execution

- Several areas of exploration and resource inventory
- Industry-leading well design & well performance
- Integrated upstream and midstream development
- Commitment to safety and environmental stewardship

### Kincora Project

- tight gas production and development
- large production and exploration position
- positive operational cashflow
- significant exploration and resource upside

#### North QLD & Northern Territory Shale Project

Significant exploration upside

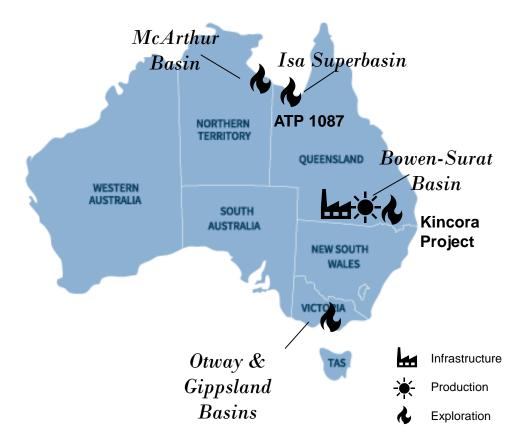
#### Victoria Onshore Conventional

- significant exploration and appraisal upside
- subject to successful legal challenge by Lakes oil

### Uganda - Albertine Graben

- > oil exploration
- significant exploration upside
- > Armour ~17% interest



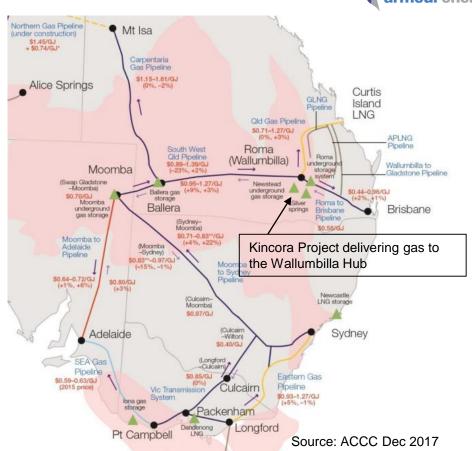


## **Armour's Strategic Gas Market Supply Upside**

armour energy

- ➤ Armour's Kincora Project is well positioned to contribute to meeting current and future gas market demands with access to infrastructure, and an inventory of gas reserves and resources.
- ➤ The Kincora Gas Project & Storage is a competitive supply for the East Coast Gas Market demand.
- ➤ Armour has conditional sale contracts in place for up to 3.65 PJ's per annum of gas over a 5 year period, with projected excess production available to be sold at spot prices or otherwise contracted. (1) Sale arrangements are also currently in place for oil, LPG and condensate products.

(1)Source: Armour Energy ASX Announcement of 22 December 2016



## Armour's Growth Strategy: A Developing Portfolio for Domestic Supply





- **2015 2016**➤ Finalise Kincora Acquisition
- Arrangements

  Planning & Design Phase for
  Kincora Recommissioning Works
- Detailed Desktop Analysis & Exploration Program Planning
- Commence Oil Production

- 2016 2017

  Restart Dry Gas Circuit
- Commission Newstead Gas Storage for Production
- Commence 5 TJ/day Sales Gas
- Commission Wet Gas Circuit
- ➤ LPG, Condensate Sales

## 2018 – 2019

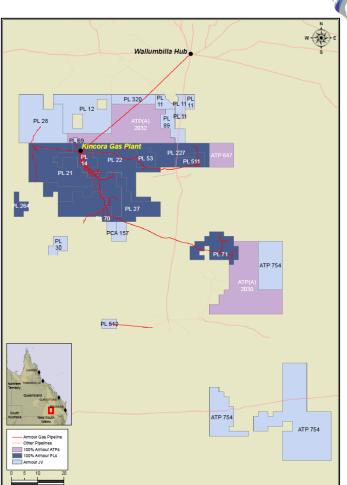
- Commence 9 TJ/ Day Sales
- Commission Field Compressors
- Drill New Production Gas Wells
- Exploit New 3D Over Surat PL's
- Secure Further Gas Sales Agreements
- ➤ Target 20 TJ/day Sales

#### Phase 4 2018 – 2020

- Refinance Assets
- New Infrastructure
- Exploit Development Plans
- Exploit all Acreage across the Broader Portfolio
- ➤ Target >30 TJ/Day Production and Sales

## Kincora Project: Armour's Extensive Acreage Position in the Surat Basin

- Located south of Roma, an industry hub for local Operators.
- Close proximity to Wallumbilla Gas Hub; connected to the Roma Brisbane Pipeline (RBP).
- Over 3700km² of highly prospective and producing petroleum acreage.
- Kincora Gas Plant producing rich Gas, LPG, Condensate and Oil.
- > Significant surface infrastructure and production expansion options.
- Newstead Gas Storage facility has a capacity of 7.5 PJs. Currently holding an estimated 1.4 PJs of sales gas.
- Extensive inventory of potential exploration development locations.



## **Kincora Project: Certified Reserves**



Total Reserves Myall Creek and Other Fields (1)	<b>1</b> P	2P (1P+2P)	3P (1P+2P+3P)
Estimated Net Total Gas (BCF)	33.4	58.5	160.3
Estimated Net Total Gas (PJ)	35.2	61.7	169.1
LPG Yield (Tonne)	72,721	127,447	349,182
Condensate Yield (BBL)	349,976	613,349	1,680,470

#### Notes:

- · Petroleum reserves are classified according to SPE-PRMS.
- Petroleum reserves are stated on a risked net basis with historical production removed.
- Petroleum reserves are stated inclusive of previous reported estimates.
- Petroleum Reserves have no deduction applied for gas used to run the process plant estimated at 7%.
- BCF = billion cubic feet, LPG = liquefied petroleum gas, PJ = petajoules, kbbl = thousand barrels, kTonne = thousand tonnes; Conversion 1.055 PJ/BCF.
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible.
- LPG Yield 2065 tonnes/petajoule, Condensate Yield 9938 barrels/petajoule.

<sup>(1)</sup>Source: Armour Energy ASX Announcement of 21 May 2018

Armour is not aware of any new information or data that materially affects the information included in the relevant market announcement and notes that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

## Kincora Gas Project – Myall Creek 4A Well

- Located in 100% owned PL511
- 5 stage hydraulic stimulation successfully completed
- The photo (right) taken on 7 August 2018 shows flaring of gas at initial flows of 2 MMCFD (million standard cubic feet per day) during flow back operations:
  - on a 38/64" choke, with associated 7 barrels of condensate per day through 4 1/2 inch production casing
  - approximately only 30% of the stimulation fluids recovered of the total stimulation fluid injected
  - approximately 50 bbl/hour of flowback fluid being produced under the well's own pressure



Scheduled spud date	31 May 2018 (Achieved)

•	•
Drilling time including logging	21 days to 15 June (Achieved)

- Interpretation & hydraulic stimulation design 14 days to 29 June (Achieved)
- Hydraulic stimulation spread mobilise, set-up, perforation and stimulation of 5 stages (including unplanned delays) 35 days to 5 August
- Flow back, testing and flow measuring 14 days to 17 August (estimated)
- Run completion / production tubing 14 days to 31 August (estimated)
- Connection works:

On-line target

- 900m of 4" gathering pipeline installation
- Wellhead facilities installation, flow control, de-sander, connection to compressor station
- 30 days to 2 September (**estimated**)
  - 1st week September (estimated)

## **Kincora Gas & Storage Project**



## 2018-2019 PHASE 3

- Transformational growth profile on track: from 9 TJ/day to proposed 20 TJ/day
- Drill 3 additional new wells by June 2019; multiple targets across several fields, well location in final selection process
- Proposed Infrastructure upgrades to be in-sync with scheduled upstream development wells
- Secure additional pipeline capacity and Gas Sales Agreements

## 2018-2020 PHASE 4

- Increase free positive cash flow from Operations
- Maintain balanced approach to capital allocation
- Internally funded scalable Exploration & Production work programs planned and budgeted
- Aim to increase target production to 30 TJ/day (current maximum plant capacity)



Hydraulic stimulation spread (Halliburton and Firetail) on location at the Armour Energy Myall Creek 4A well.

## Kincora Project: Building Armour's Resource and Reserve Base

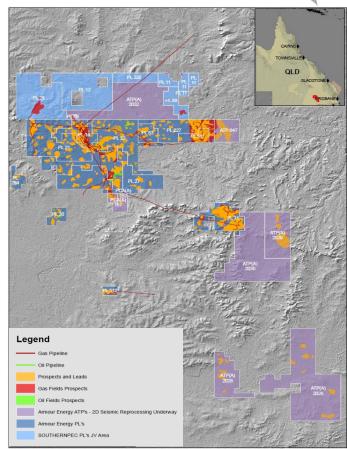


## 2018-2020 PHASES 3 & 4

- ➤ 2P Reserves of 61.7 PJs 48.5 PJs attributed to the Myall Creek Field.<sup>(1)</sup>
- ➤ Undeveloped resources 2C, 29.3 PJs and 3C, 94.9 PJs.<sup>(1)</sup>
- Prospective Resources 129 PJs, P50 Best Estimate in 92 prospects plus 167 leads on existing Armour tenure. (1)
- Additional exploration target of 1.5-3.5 TCF in Tight Gas Permian and Triassic Plays on Armour Tenures. (2)

<sup>(1)</sup>Source: Armour Energy ASX Announcement of 21 May 2018 <sup>(2)</sup>Source: Armour Energy ASX announcement of 2 November 2015

Cautionary Statement for Prospective Resources: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. There estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



## **Isa Superbasin & McArthur Project Areas**



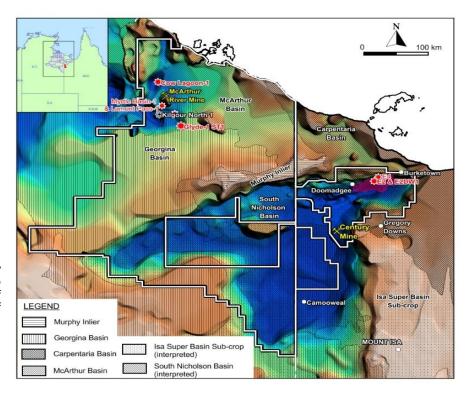
## 2018–2020 PHASES 3 & 4

- ➤ 1,750,000 contiguous acres (7,100-km²) in Northern Australia.
- > 364 BCF contingent gas resources. (1)
- Prospective shale gas resource of 57 TCF (best estimate).<sup>(2)</sup>
- Well understood rock properties up to 11% TOC & fraccable.
- Drill- & completion-ready wells.
- >700-km of reprocessed 2D seismic control.

(1)Source: Armour Energy ASX announcement of 16 July 2014

<sup>(2)</sup>Source: Armour Energy ASX announcement of 21 September 2015

Cautionary Statement for Prospective Resources: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. There estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



## **Uganda Oil Project**

## 2018-2020 PHASES 3 & 4

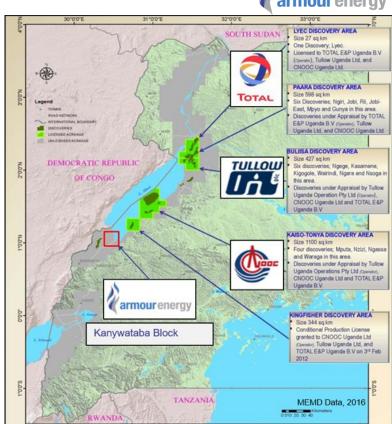
# armour energy

## Albertine Graben

- ➤ Drilling success rate of 85% from 121 wells<sup>(1)</sup>
- > 28 wells have been flow tested
- > Crude blend between 23°-33° API, low sulphur
- ➤ Locally 6.8 billion bbls oil reserves<sup>(1)</sup>
- ➤ Planned and underway infrastructure<sup>(2)</sup>
- ➤ Pro-resource development Government<sup>(2)</sup>
- CNOOC, Total, Tullow projects in development<sup>(3)</sup>

## Kanywataba Block

- ➤ Granted to Armour Energy in September, 2017; 83% DGR Global beneficial interest and Armour Energy 17%.
- ➤ US\$1.3m expenditure to date. Forward programme Year 1, US\$350,000 (studies & geochemical) and Year 2, US\$1.65m (2D seismic)
- Multiple developed but untested on-trend structural traps remain (3-way and 4-way dip closures) and multiple untested stratigraphic traps
- ➤ Kingfisher oil discovery (40km NE of Kanywantaba); oil seeps confirm local working petroleum system. 3000-5000BBL per day producers<sup>(3)</sup>
- ➤ Kanywataba Oil Resource Best Estimate<sup>(1)</sup> Targets 2 and 3 Risked 57-193 MMBLS Recoverable (Internal Armour Estimate)



Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

<sup>(1)</sup> Source: Armour Energy ASX announcement of 13 September 2017.

<sup>(2)</sup> Source: www.energyandminerals.go.ug

<sup>(3)</sup> Source: <a href="https://www.tullowoil.com/operations/east-africa">https://www.tullowoil.com/operations/east-africa</a>

