Armour Energy Limited

19 March 2019

Corporate Bond Financing

Redemption of Existing Convertible Notes

Further to the announcement of 1 March 2019 “Convertible Notes Redemption and Refinancing”, Armour Energy Ltd (ASX: **AJQ**, the **Company** or **Armour**) hereby announces its intention to raise up to $55m via the issue of secured and amortising notes (the **New Notes**). Proceeds from the issue of the New Notes will be applied to the redemption of all of the existing Convertible Notes on issue (including those held by funds managed by M.H. Carnegie & Co Pty Ltd on the terms outlined in the Company’s previous market releases) with the balance retained for working capital and field program expenditure.

It is intended that the New Notes be issued at the same time as the redemption of the existing Convertible Notes in order to provide for a smooth transition of the underlying security arrangements.

The Lead Arranger for the refinancing transaction is FIIG Securities Limited. The offering for the New Notes is only open to sophisticated and / or professional investors, and no prospectus or other disclosure document in relation to the New Notes will be lodged with the Australian Securities and Investment Commission (**ASIC**) or any other regulatory authority.

Full terms and conditions will be available in the Information Memorandum which is available from the Lead Arranger upon request. The Information Memorandum is not a prospectus or other disclosure document for the purposes of the Corporations Act 2001 (Cth). As noted above, the offer is only open to sophisticated and / or professional investors through FIIG Securities Limited.

The offer is already underpinned by Company founder DGR Global Ltd (ASX: DGR) which has agreed to apply $10m of the amount owing to it under the existing Convertible Notes as an investment in the New Notes.

A summary of the key terms of the proposed New Notes is set out below:

Issuer	Armour Energy Limited
Issue Size	$55m amortising
Amortisation and Amortisation Period	Amortising by 52% from and including 29 March 2021 until and including the day immediately prior to the Maturity Date
Eligible Investors	The offer of New Notes will only be available to investors who qualify as sophisticated and / or professional investors as prescribed in and in accordance with Part 6D.2 and 7.9 of the Corporations Act 2001 (Cth)
Type	Fixed Rate Medium Term Notes
Status and Ranking	The New Notes will be secured over all of the assets of the Issuer (other than its shares in Armour Energy International Pty Ltd). This security will have priority to all ecurities granted over the Issuer’s assets, other than with respect to a bank account containing

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	approximately A$6.8 million, which is subject to a Westpac Flawed Asset Arrangement (see ASX Announcement 26 July 2018 "$6.8 million Environmental Bonding Funding Facility obtained"). Tribeca has a security interest over this bank account in priority to the security granted to P.T. Limited, the security trustee under the New Notes.
Denomination	The New Notes will be issued in denominations of $1,000 (as reduced during the Amortisation Period), with a minimum parcel size on initial issue of $50,000.
Coupon	8.75% per annum, payable quarterly in arrears
Term	Fifth anniversary of Issue Date (**Maturity Date**)
Issue Price	100%
Rating	The New Notes will not be rated by any rating agency

Negative pledge and other covenants	The New Notes will include:
	• limitations on Financial Indebtedness:
	  ◦ from Issue Date until first anniversary of Issue Date (the **Lock Up Date**), no increase to Financial Indebtedness;
	  ◦ from the Lock Up Date until 30 June 2021, 2.50x EBITDA;
	  ◦ from 1 July 2021 until and including 30 June 2022, 2.00x EBITDA; and
	  ◦ from 1 July 2022 until and including the Maturity Date, 1.50x EBITDA.
	• Debt Service Cover Ratio is not less than 2.00:1.00;
	• Gearing Ratio on each of the following Calculation Dates shall not exceed the corresponding ratio set out below:
	Calculation Date — **Gearing Ratio**
	• 30 June 2019 — 55%
	• 31 December 2019 — 55%
	• 30 June 2020 — 50%
	• 31 December 2020 — 50%
	• 30 June 2021 — 40%
	• 31 December 2021 — 40%
	• Each 30 June and 31 December thereafter until the Maturity Date — 35%

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the Leverage Ratio on each of the following Calculation Dates shall not exceed the corresponding ratio set out below:
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<tr><th>Period during which the Calculation Date occurs</th><th>Leverage Ratio</th></tr>
<tr><td>From (and including) 31 March 2020 to (and including) 30 June 2020</td><td>3.25:1.00</td></tr>
<tr><td>From 1 July 2020 to (and including) 30 June 2021</td><td>3.00:1.00</td></tr>
<tr><td>From 1 July 2021 to (and including) 30 June 2022</td><td>2.50:1.00</td></tr>
<tr><td>From 1 July 2022 to (and including) the Maturity Date</td><td>2.00:1.00</td></tr>
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the Cash Balance of the Issuer must, at all times, exceed A$2,000,000 and is not to fall below A$4,000,000 for a period of more than 90 consecutive days;
restrictions on distribution;
restrictions on Asset Acquisitions and Asset Disposals; and
various undertakings with respect to various matters relating to the Issuer’s existing projects including minimum gas reserves and forward gas sales.

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<tr><td>Purpose of the Issue</td><td>The redemption of all of the Issuer’s existing Convertible Notes. Working capital and field program expenditure for the Issuer.</td></tr>
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Lead Arranger: FIIG Securities Limited

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The Company will continue to update the market as to the progress of its funding initiatives as developments occur.

On behalf of the Board
Karl Schlobohm
Company Secretary

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