



## Armour Energy Limited

12 March 2020

### Corporate Finance Update: Proposed Amendments to the Secured Amortising Notes

Armour Energy Limited (ASX:**AJQ**, **Armour** or **Company**) announces that it has issued a Notice of Circulating Resolution with an attaching Explanatory Memorandum to holders (**Noteholders**) of the Company's \$55 million Secured Amortising Notes (**Notes**) to seek approval by way of a special resolution of Noteholders (the **Special Resolution**) to amend the Conditions of the Notes (**Proposed Amendments**).

#### Background to the Noteholder Special Resolution and Commercial Rationale for the Proposed Amendments

The Notes were issued by Armour in March 2019 and under their Conditions of issue (as disclosed in Armour's ASX Announcement of 29 March 2019, including a full copy of the Information Memorandum), Armour is obliged to meet certain financial covenants and to get Noteholder consent for certain corporate actions.

Since the issue of the Notes, Armour delivered a work program primarily on its production tenures in Queensland. However, there were delays in the execution of the program and gas production achieved, and the price realised for the gas sold were both lower than was anticipated at the time that the Notes were issued. For these reasons, Armour is seeking from Noteholders relaxation of several of the Note covenants, including the leverage, debt servicing coverage and gearing ratios.

The lower than expected production results were the result of a number of factors including the tight market for the procurement of drilling and workover rigs, and a 26-day outage of production from the Kincora Gas Plant, caused by the failure of a critical compressor associated with LPG production. The lower than expected output of the gas processing facility led to lower levels of working capital which would have ordinarily been used to further increase or accelerate new production.

The work program carried out did meet with some success, with the Myall Creek 5A well delivering greater than anticipated results, which has advanced Armour's understanding of the regional geology and sets the basis for the proposed 2020 development plan and proposed work program in line with Armour's previously outlined four phase growth strategy.

In respect of the 2020 forward work program, it is highlighted that the international oil and gas markets are suffering the impact of the COVID-19 virus, with significant falls in the oil price and the restriction of LNG sales into mainland China. These restrictions are causing an increase in gas available in the Eastern Australian Gas Market, which has resulted in a current reduction of the spot domestic gas price.

Since the issue of the Notes, Armour has met some of the shortfall in operating cashflow through successfully completing a A\$4 million equity capital raise in September 2019. Armour also intends, subject to receipt of Noteholder approval for the Proposed Amendments, to raise additional equity capital of at least A\$5 million via an entitlement offer to existing shareholders (**Entitlement Offer**).

The Entitlement Offer is intended to be underwritten to the extent of at least A\$5 million by Bizzell Capital Partners Pty Ltd (an entity associated with Armour Director Stephen Bizzell) and will be sub-underwritten to the extent of at least A\$2.5 million by Samuel Holdings Pty Ltd (an entity associated with Armour Chairman Nicholas Mather). The proceeds of the Entitlement Offer will be used, together with existing cash reserves, for the 2020 work program, the proposed quarterly amortisation payments to Noteholders, and future working capital.

A further A\$15 million in funds was recently raised by Armour through a Permitted Disposal of a 70% interest in certain of its North Australian tenements to Santos QNT Limited (**Santos**) as a part of the South Nicholson Basin Farm-in and Joint Venture Arrangement. Under this agreement Santos will also free carry Armour for a significant work program. Armour intends to use some of the proceeds from this transaction to accelerate the amortisation of the principal of the Notes.

As a part of the South Nicholson Basin Farm-in Agreement, Armour may receive additional Farm-In Payments of up to A\$15 million in total (up to five payments of A\$3 million each) of which the Proposed Amendments to the Conditions will require that not less than A\$1.65 million of each Farm-In Payment be applied as an unscheduled amortisation payment on the Notes. Armour is seeking consequential amendments to the Conditions to permit it to continue progressing its farm-in arrangements and continue to develop its assets in northern Australia.

Approval is also being sought to allow Armour to provide future Financial Accommodation to Armour Energy (Uganda) SMC Ltd (**Armour Uganda**), to permit the transfer of the Ugandan Exploration Licence from the parent company to Armour Uganda.

### **Proposed Amendments**

For the full terms of the Proposed Amendments please refer to the Notice of Circulating Resolution of Noteholders and Explanatory Memorandum (**Notice**) that is attached to this announcement.

In short, the Proposed Amendments include the following:

1. New Note principal amortisation schedule including 4 new quarterly payments in the calendar year 2020 totalling approximately \$6m;
2. Further unscheduled amortisation payment arrangements to cover certain future asset disposals or further farm-in proceeds received from the Santos Farm-In Agreement;
3. Amendments to Financial Undertakings, including the Debt Service Cover Ratio, the Leverage Ratio and the Gearing Ratio;
4. Amendments to extend the Debt Lock Up Date to 31 December 2020;
5. The establishment of an EBITDA performance benchmark for the 2020 calendar year;
6. Amendments to certain Conditions (Financial Accommodation and Disposals) in connection with the Ugandan Oil Project;
7. Allow for the grant of certain Security interests and the provision of Financial Accommodation in relation to Joint Ventures; and
8. Amendments to permit voluntary early redemption of the Notes.

Whilst the Company, based on discussions to date, believes approval from Noteholders should be forthcoming, no assurance can be given that the amendments will ultimately be approved. If the amendments are not approved:

- a) certain transactions in respect of the Company's joint ventures will likely be unable to be completed;
- b) the Company may, absent alternative funding arrangements being put in place so as to ensure that the Company can comply with its obligations under the Conditions of the Notes, breach the financial covenants at 31 March 2020 and such a breach, if unremedied, may amongst other matters require the Company to redeem all of the Notes; and
- c) the Company would not be permitted to:
  - (i) dispose of the Ugandan Licence to Armour Uganda or DGR Global; or
  - (ii) provide Financial Accommodation to Armour Uganda pursuant to the Parent Company Guarantee should the Ugandan Licence be transferred to Armour Uganda.

If Noteholders were to require the Company to redeem all of the Notes, and the Company (or Guarantors) were unable to repay the amounts owing in respect of the Notes, then the Security Trustee could exercise its rights to enforce the Security for the benefit of the Noteholders.

#### **Noteholder Approval Process**

1. The attached Notice will be sent to all Noteholders today.
2. The Noteholders will be required to cast their vote by 24 March 2020.
3. In order to take effect, the Proposed Amendments require 75% of Noteholders by value to vote in favour.
4. If the Special Resolution is passed, the Company will pay a consent fee of 0.5% to Noteholders who vote in favour of the Special Resolution.

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The Company will provide a further update to shareholders in respect of the Special Resolution in due course.

*This announcement is authorised by the Board of Directors*

Karl Schlobohm  
Company Secretary

#### **For further information contact:**

Karl Schlobohm – Company Secretary  
07 – 3303 0661

Nicholas Mather – Executive Chairman  
07 – 3303 0620



## Notice of Circulating Resolution of Noteholders and Explanatory Memorandum

Issued by Armour Energy Limited (ABN 60 141 198 414)  
in relation to a proposed Circulating Resolution of Noteholders of the following  
Notes ("Notes"):

| Issuer                   | ISIN         | Title  | Status  | Aggregate<br>outstanding principal<br>amount |
|--------------------------|--------------|--|---------|--|
| Armour Energy<br>Limited | AU3CB0261998 | 8.75% Fixed Rate<br>Secured Amortising<br>Notes due 29 March<br>2024 | Secured | A\$55,000,000                                |

|              |                      |
|--------------|----------------------|
| <b>Date:</b> | <b>11 March 2020</b> |
|--------------|----------------------|

## CONTENTS

|  |    |
|--|----|
| CONTENTS.....  | 2  |
| IMPORTANT NOTICE.....  | 3  |
| KEY DATES.....   | 5  |
| GLOSSARY.....  | 7  |
| NOTICE OF CIRCULATING RESOLUTION.....  | 10 |
| ANNEXURE A – SPECIAL RESOLUTION .....  | 20 |
| ANNEXURE B - INSTRUCTION TO SIGN.....  | 29 |
| ANNEXURE C – NOTIFICATION OF VOTING INTENTION RECEIVED FROM AUSTRACLEAR<br>HOLDERS ..... | 32 |
| EXPLANATORY MEMORANDUM .....   | 51 |

## IMPORTANT NOTICE

### What is this document?

This Notice of Circulating Resolution and Explanatory Memorandum has been prepared and is issued by Armour Energy Limited, as the “**Issuer**” of the Notes, to allow Noteholders to consider and vote on a Special Resolution. The Explanatory Memorandum accompanying this Notice of Circulating Resolution provides further information about the matters to be voted upon.

### Consent Fee

The Issuer undertakes to pay the Consent Fee (equal to 0.50 per cent. of the Outstanding Principal Amount of each Note) to each Beneficial Holder who votes that amount of Notes held by that Beneficial Holder in favour of the Special Resolution. Payment of the Consent Fee is conditional upon the Special Resolution being passed.

Terms used in this document but not otherwise defined have the meaning given to them in the section entitled “Glossary” on pages 7 to 9. All times expressed in this document refer to Sydney time.

**THE EXPLANATORY MEMORANDUM (SET OUT ON PAGE 51 AND FOLLOWING) CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ CAREFULLY.**

### Responsibility

This Notice of Circulating Resolution has been prepared and issued by the Issuer. The Issuer accepts responsibility for the information contained in this Notice.

### Notice of Circulating Resolution

Under the terms of the Note Trust Deed, a written resolution signed by or on behalf of the Noteholders of at least 75% of the aggregate principal amount of Notes outstanding as at the Notification Date (being the date of this Notice) shall be valid and effective as a Special Resolution (as defined in the Note Trust Deed) passed without the need for a meeting of Noteholders to be held, if the resolution is signed within 1 month of the date of this Notice. By submitting an Instruction to Sign in favour of the Special Resolution, an Austraclear Holder is irrevocably instructing Austraclear Ltd, in its capacity as registered holder of the Notes, to sign the Circulating Resolution if holders of at least 75% of the aggregate principal amount of Notes outstanding have submitted (and not validly revoked) an Instruction to Sign in favour of the Special Resolution.

Consequently, if Noteholders of at least 75% of the aggregate principal amount of Notes outstanding have submitted an Instruction to Sign in favour of the Special Resolution, Austraclear will sign the Special Resolution and the Special Resolution will be held to have been passed. The Issuer will notify the Noteholders if the Special Resolution has been passed.

In determining whether or not the provisions relating to voting procedures or the signing of the Circulating Resolution are complied with, any Notes held in the name of the Issuer or any of its Related Entities must be disregarded. As at the date of this Notice, the Issuer does not hold any legal or beneficial interest in the Notes. However, DGR Global Ltd (a Related Entity of the Issuer by virtue of the Issuer and DGR Global Ltd having a common director, Mr Nicholas Mather) does have a beneficial interest in Notes.

### Noteholders bound

If the Special Resolution in respect of the Notes is passed pursuant to the Circulating Resolution, each Noteholder will be bound by the Special Resolution, irrespective of whether such Noteholder voted in favour of, rejected or voted against or abstained from voting on that Special Resolution or otherwise took no action at all in respect of the Special Resolution.

If the Special Resolution is not passed by the requisite majority of Noteholders, or the Issuer terminates the Notice of Circulating Resolution for any reason, then no change will be made to the Conditions, the

Conditions will continue in effect as if no such change had been made and Noteholders will continue to hold their Notes and have all of their rights and obligations under the Conditions and the Note Trust Deed.

The Issuer may, for any reason, terminate and withdraw this Notice of Circulating Resolution at any time prior to the Noteholders passing the Special Resolution by the requisite majority of Noteholders. Any such termination will be effective once it has been notified to Noteholders and the Note Trustee in accordance with Condition 18 ("Notices").

If the Special Resolution is not passed, the Consent Fee will not be paid to any person.

### **No investment advice**

The information contained in this Notice of Circulating Resolution does not constitute financial product advice, and has been prepared without reference to the particular investment objectives, financial situation, taxation position, and needs of any Noteholder (or of the Noteholders as a whole). None of the Issuer, the Note Trustee, Austraclear or any other person is providing any taxation, legal or other advice regarding the proposed amendment. It is important that you read the Notice of Circulating Resolution and Explanatory Memorandum in its entirety before making any decision on how to vote. If you are in any doubt, you should consult your professional adviser and make (and shall be taken to have made) your own independent investigation as to the suitability of the proposed amendment in your own particular circumstances.

### **Forward looking statements**

To the extent that any forward looking statements are made in this Notice of Circulating Resolution, those statements reflect the views of the Issuer as at the date of this Notice. Such statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of the Issuer to differ materially from the results, performance or achievements expressed, implied or projected.

None of the Issuer, any of its officers nor any other party associated with the preparation of this Notice make any representation or warranty (either express or implied) as to the accuracy or likelihood of any forward looking statement or any events or results expressed or implied in any forward looking statement. None of the Issuer, any of its officers nor any other party associated with the preparation of this Notice guarantee that any specific objective of the Issuer will be achieved.

### **Questions**

If you have any questions about your holding of Notes or the Special Resolution, please consult your professional adviser. If you are a Beneficial Holder and have any questions regarding the operational aspects of how to vote or the voting process, you should contact the Austraclear Holder through which you hold a beneficial interest in the Notes or, alternatively, email the Note Trustee ([csf.team@perpetual.com.au](mailto:csf.team@perpetual.com.au)).

For any further explanation regarding the background to the Special Resolution, email Mr Karl Schlobohm, Company Secretary of Armour Energy Limited at [kschlobohm@armourenergy.com.au](mailto:kschlobohm@armourenergy.com.au).

## KEY DATES

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**Date of Notice and Notification Date** Wednesday 11 March 2020

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**Record Date** Tuesday 10 March 2020.

**The attached Instruction to Sign must be received by the Note Trustee no later than 10.00 am on Tuesday 24 March 2020 to be valid.**

Only those Austraclear Participants in whose Austraclear Security Record the Notes appear immediately prior to the Austraclear System opening on the Record Date ("**Austraclear Holders**") will be entitled to instruct Austraclear to sign the Circulating Resolution.

**A Beneficial Holder must direct the relevant Austraclear Holder, in whose Security Record the Notes in respect of that beneficial interest are recorded, of their Notes to complete the Instruction to Sign.**

If you are a Beneficial Holder on the Record Date (but are not recorded as such in the Austraclear Security Record) you must direct the Austraclear Holder in whose Security Record the Notes in respect of which you have that beneficial interest are recorded to complete the Instruction to Sign.

If a Beneficial Holder has transferred its interest in their Notes after that time, such Beneficial Holder should also pass a copy of this Notice of Circulating Resolution to the transferee and advise the transferee of the manner in which it has instructed the Austraclear Holder (if at all) with respect to the matters set out in this Notice of Circulating Resolution.

Beneficial Holders are advised to check with any nominee, custodian or Austraclear Holder through which they hold their Notes when such nominee, custodian or Austraclear Holder would require to receive instructions from that Beneficial Holder in order to provide an Instruction to Sign form in order to meet the deadline set out above. The deadlines set by any such nominee, custodian or Austraclear Holder may be earlier than the relevant deadline above.

### **Action required by Austraclear Holders**

To instruct Austraclear to sign the Circulating Resolution contained in this Notice of Circulating Resolution, Austraclear Holders must complete the "Instructions to Sign" form and return this "Instructions to Sign" form by email to the Note Trustee at the following details:

- **Attention:** Manager, Agency & Trustee
- **Email:** csf.team@perpetual.com.au

**The Instruction to Sign must be received by the Note Trustee no later than 10.00 am on Tuesday 24 March 2020 to be valid.**

The Issuer will provide the "Notification of Voting Intention" to Austraclear once the Note Trustee has collated all Instructions to Sign that it has received by the time and date noted above. If you do not wish to instruct Austraclear to vote on the Special Resolution contained in the Notice of Circulating Resolution, no further action on your part is required. However, you should note that a resolution passed by Circulating Resolution (as defined in the Meeting Provisions) without a meeting being held is binding on all Noteholders, whether or not they gave instructions to sign.

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**10.00 am on Thursday 26 March 2020 or such earlier time if sufficient instructions of Austraclear Holders have been received for the Special Resolution to be passed**

**The date Austraclear will sign the Special Resolution**

Austraclear is recorded in the Register as the sole Noteholder for the Notes. Consequently, only Austraclear will be entitled to vote in respect of the Special Resolution. Austraclear will approve the Special Resolution, as the Noteholder, on the instruction of Austraclear Holders on whose behalf it holds the Notes as nominee.

The Special Resolution will be determined by a single circulating resolution with respect to the Notes. If Noteholders of at least 75% of the aggregate principal amount of Notes outstanding have submitted (and not validly revoked) an Instruction to Sign in favour of the Special Resolution, the Special Resolution will be held to have passed once the Circulating Resolution is signed by Austraclear.

Austraclear will sign the Circulating Resolution on the date that the Issuer advises Austraclear that Noteholders of at least 75% of the aggregate principal amount of Notes outstanding have submitted (and not validly revoked) an Instruction to Sign in favour of the Special Resolution.

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**On or about Friday 27 March 2020 or such earlier time as the Special Resolution has been passed**

**Notification to Noteholders**

The Issuer will give notice (or procure that notice be given) to the Noteholders and the Note Trustee of the result of the voting on the Special Resolution within 14 days of the result being known. However, failure to so give notice does not invalidate the Special Resolution.

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**A date falling within ten Business Days of the notification to Noteholders that the Special Resolution has been passed**

**Payment of the Consent Fee by the Issuer**

The Consent Fee is payable only for the benefit of the relevant ultimate Beneficial Holder of the Notes in respect of which that Beneficial Holder has voted in favour of the Special Resolution. Payment of the Consent Fee is conditional upon the Special Resolution being passed by the required special majority.

The Consent Fee will be payable through the Austraclear System and otherwise in accordance with the Conditions of the Notes relating to payments provided that no additional amounts will be payable by the Issuer on account of any taxes, duties, charges, deductions or withholdings in respect of the Consent Fee.

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**This timetable is indicative only. The Issuer reserves the right to vary the timetable set out above. If the timetable is varied, the Issuer will notify the Registrar, the Note Trustee and the Noteholders. The Issuer will not vary the timetable in any way which is prejudicial to the interests of Noteholders.**

## GLOSSARY

Terms used but not otherwise defined in this Notice have the meaning given to them in the Conditions. Terms not defined in the Conditions or this Notice have the meaning given to them in the Austraclear Regulations. The following terms shall, when used in this Notice, have the meaning given to them below.

| Term                                   | Definition  |
|--|---|
| <b>Armour Uganda</b>                   | Armour Energy (Uganda) – SMC Ltd (registration number 800200007008745), a company incorporated in the Republic of Uganda pursuant to section 18 (3) of the Companies Act 2012. As at the date of this Notice, Armour Energy (Uganda) – SMC Ltd is a wholly-owned subsidiary of Armour Energy International Pty Ltd ACN 622 043 654, which is in turn a wholly-owned subsidiary of the Issuer.   |
| <b>Austraclear</b>                     | Austraclear Ltd (ABN 94 002 060 773).   |
| <b>Austraclear Holders</b>             | those Austraclear Participants in whose Austraclear Security Record the Notes appear immediately prior to the Austraclear System opening on the Record Date.  |
| <b>Beneficial Holder</b>               | a person with the ultimate beneficial interest in a Note.   |
| <b>Board</b>                           | the Board of Directors of the Issuer.   |
| <b>Circulating Resolution</b>          | the Circulating Resolution set out in this Notice.  |
| <b>Conditions</b>                      | the terms and conditions of the Notes as set out in the Information Memorandum, as supplemented, amended, modified or replaced by the Pricing Supplement.   |
| <b>Consent Fee</b>                     | an amount equal to 0.50 per cent. of the outstanding principal amount of each Note held by each Beneficial Holder who votes that amount of Notes held by that Beneficial Holder in favour of the Special Resolution.  |
| <b>Deed of Indemnity and Guarantee</b> | <p>the deed of indemnity and guarantee dated 18 December 2019, which is provided by DGR Global in favour of the Issuer and:</p> <p>(a) which indemnifies the Issuer against:</p> <ul style="list-style-type: none"> <li>A. all costs associated with complying with the obligations under the Ugandan Licence; and</li> <li>B. any claim, demand, debt, action, proceeding, cost, charge, expense, damage loss or other liability related to the obligations under the Ugandan Licence,</li> </ul> <p>in each case for up to a maximum of 83.18% of the Issuer's liability, until such time as the Ugandan Government cancels or returns the Parent Company Guarantee to the Issuer; and</p> <p>(b) pursuant to which DGR Global guarantees to and indemnifies to the Issuer the due, punctual and complete performance by Armour Uganda of all of its obligations under the Ugandan Licence following the transfer to it of the Ugandan Licence, up to a maximum of 83.18% of the Issuer's liability under the Parent Company Guarantee.</p> |
| <b>DGR Global</b>                      | DGR Global Limited (ACN 052 354 837).   |

| Term  | Definition  |
|---|---|
| <b>Explanatory Memorandum</b>                     | the Explanatory Memorandum accompanying this Notice.  |
| <b>Information Memorandum</b>                     | the Information Memorandum dated 27 March 2019.   |
| <b>Instruction to Sign</b>                        | a form in, or substantially in, the form entitled “ <i>Instruction to Sign</i> ” set out in Annexure B on pages 29 to 31.   |
| <b>Issuer</b>                                     | Armour Energy Limited (ABN 60 141 198 414).   |
| <b>Meeting Provisions</b>                         | the provisions for Meetings of the Noteholders set out in Schedule 6 (“Meeting Provisions”) of the Note Trust Deed.   |
| <b>Note Trust Deed</b>                            | the Note Trust Deed dated 25 March 2019 between the Issuer, the Initial Guarantors (as defined therein) and the Note Trustee.   |
| <b>Note Trustee</b>                               | Perpetual Corporate Trust Limited (ABN 99 000 341 533) as trustee for the Armour Energy Note Trust constituted by the Note Trust Deed.  |
| <b>Noteholders</b>                                | those persons whose names are entered on the Register as the holder of Notes, being Austraclear as at the date of this Notice.  |
| <b>Notice of Circulating Resolution or Notice</b> | this Notice of Circulating Resolution, including the Explanatory Memorandum accompanying this Notice.   |
| <b>Notification of Voting Intention</b>           | a notice in, or substantially in, the form entitled “ <i>Notification of Voting Intention Received from Austraclear Holders</i> ” set out in Annexure C on pages 32 to 40.  |
| <b>Parent Company Guarantee</b>                   | the parent company guarantee dated on or about 11 January 2019 and provided by the Issuer to the Ugandan Government as represented by the Ministry of Energy and Mineral Development, which guarantees the performance by Armour Uganda of its obligations under the Ugandan Licence. |
| <b>PSA</b>  | a production sharing agreement between the Issuer and the Ugandan Government dated on or about 14 September 2017, which sets out the terms on which Exploration Licence No. 1/2017 (Kanywataba Block) is issued.  |
| <b>Register</b>                                   | the register of holders of Notes established and maintained by Perpetual Trustee Company Limited (the Agent) pursuant to the Agency Agreement entered into between amongst others, the Issuer and the Agent.  |
| <b>Special Resolution</b>                         | the resolution and other matters to be voted on pursuant to this document as set out in the section of this document entitled “ <i>Annexure A - Special Resolution</i> ” on pages 20 to 28.   |
| <b>Security Record</b>                            | has the meaning given to that term in the rules and regulations known as the “Austraclear Regulations” established by Austraclear to govern the use of the Austraclear System.  |
| <b>Ugandan Government</b>                         | the Government of the Republic of Uganda.   |

| Term  | Definition   |
|---|--|
| <b>Ugandan Licence</b>                                  | Exploration Licence No. 1/2017 (Kanywataba Block) issued by the Ugandan Government to the Issuer, which the Ugandan Government announced was renewed for a further two years following the expiry of its initial term on 13 September 2019, and the PSA. |
| <b>Ugandan Conditional Contingent Licence Liability</b> | an amount not exceeding US\$7,500,000, for which the licensee of the Ugandan Licence may become liable to the Ugandan Government pursuant to the terms of the Ugandan Licence.   |
| <b>Uganda Project Letter Agreement</b>                  | an agreement between the Issuer and DGR Global dated on or about 8 September 2017 pursuant to which, amongst other things, the Issuer agrees to hold DGR Global's 83.18% interest in the Ugandan Licence on trust for DGR Global.                        |

## NOTICE OF CIRCULATING RESOLUTION

11 March 2020

Dear Noteholder

### NOTICE OF CIRCULATING RESOLUTION OF NOTEHOLDERS

We are pleased to provide you with this Notice of Circulating Resolution in relation to a Special Resolution for consideration and approval by Noteholders of the Notes. This Notice of Circulating Resolution constitutes a notice of circulating resolution given under and in accordance with Condition 18 ("Notices") and the Meeting Provisions. The Notification Date of this Notice of Circulating Resolution for the purposes of the Meeting Provisions is 11 March 2020.

The purpose of the Circulating Resolution is to seek and, if passed, obtain approval from Noteholders for the Special Resolution set out below in Annexure A (the "**Invitation**").

#### Special Resolution

The Special Resolution approves the issue of a replacement Pricing Supplement by the Issuer, and the following amendments to the Conditions which will be set out in that Pricing Supplement:

- (A) an amended "Schedule - Scheduled Amortisation Amounts" as set out in the Schedule to this Notice of Circulating Resolution, which will include four additional quarterly scheduled amortisation payments. The effect of this will be to allow the Issuer to repay A\$6,050,000 in aggregate principal amount by way of an additional amortisation of the Notes by 29 December 2020;
- (B) amendments to:
  - (i) Condition 5.1(a) ("Financial undertakings – Debt Service Cover Ratio") and Condition 5.1(b) ("Financial undertakings – Gearing Ratio");
  - (ii) Condition 5.1(c) ("Financial undertakings – Leverage Ratio");
  - (iii) Condition 5.2 ("Negative pledge");
  - (iv) Condition 5.3(b) ("Limit on incurring Financial Indebtedness");
  - (v) Condition 5.4 ("Limit on providing Financial Accommodation"); and
  - (vi) and Condition 5.6 ("Disposals");
- (C) amendments to include the following new Conditions:
  - (i) Condition 5.1(e) ("Financial undertakings – Minimum EBITDA");
  - (ii) Condition 5.6B ("Use of Disposal Net Proceeds");
  - (iii) Condition 5.9A ("Use of Farm-In Payments");
  - (iv) Condition 5.9B ("Unscheduled Amortisation Account"); and
  - (v) Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals");

- (D) amendments to Condition 9.4 (“Early redemption at the option of the Issuer (Issuer Call)”) to provide the Issuer with more flexibility on timing when seeking early redemption; and
- (E) consequential amendments to Condition 1.2 (“Definitions”) to facilitate the above amendments.

The purpose of the proposed amendments is to amend certain financial covenants and other provisions undertaken by the Issuer as set out in the Conditions of the Notes for the reasons set out in the Explanatory Memorandum.

The full text of the proposed amendments is as follows:

- (a) Condition 1.2 (“Definitions”) is amended by:

- (i) adding the following new definitions in applicable alphabetical order:

**“Armour Uganda** means *Armour Energy (Uganda) – SMC Ltd, (registration number 800200007008745), a company incorporated in the Republic of Uganda pursuant to section 18 (3) of the Companies Act 2012;*

**Deed of Indemnity and Guarantee** means *the deed of indemnity and guarantee dated 18 December 2019, which is provided by DGR Global in favour of the Issuer and:*

- (a) *which indemnifies the Issuer against:*

- (i) *all costs associated with complying with the obligations under the Ugandan Licence; and*
      - (ii) *any claim, demand, debt, action, proceeding, cost, charge, expense, damage loss or other liability related to the obligations under the Ugandan Licence,*

*in each case for up to a maximum of 83.18% of the Issuer's liability, until such time as the Ugandan Government cancels or returns the Parent Company Guarantee to the Issuer; and*

- (b) *pursuant to which DGR Global guarantees to and indemnifies to the Issuer the due, punctual and complete performance by Armour Uganda of all of its obligations under the Ugandan Licence following the transfer to it of the Ugandan Licence up to a maximum of 83.18% of the Issuer's liability under the Parent Company Guarantee;*

**DGR Global** means *DGR Global Limited (ACN 052 354 837);*

**Farm-In Payment** means *each amount of A\$3,000,000 “Transfer Payment” (as that term is defined in the Santos Farm-in Agreement) received by any Obligor from Santos (or any related party including Santos Limited (ABN 80 007 550 923)) in connection with the Santos Farm-in Agreement;*

**Joint Venture** means *a commercial arrangement entered into from time to time between an Obligor and one or more Joint Venture Partners in respect of the exploration for, and development/production of, oil and gas;*

**Joint Venture Partner** means *a party to a Joint Venture other than an Obligor;*

**Murrungama PLA** means the petroleum lease application over the tenement described as ATP2046 (known as the Murrungama Block) and any petroleum lease derived, and any renewal, extension, modification, variation, conversion, substitution or subdivision of any of the foregoing or part thereof;

**Net Proceeds** means the net cash proceeds of any Disposal for which an Obligor receives cash as payment in whole or in part for that Disposal under Condition 5.6B ("Use of Disposal Net Proceeds") after payment of any reasonable costs, reasonable expenses and transaction Taxes (which excludes any Tax imposed on, or calculated by reference to, the net income of an Obligor) in connection with the transaction effecting that Disposal;

**Parent Company Guarantee** means the parent company guarantee provided by the Issuer to the Ugandan Government which guarantees the performance by Armour Uganda of its obligations under the Ugandan Licence;

**Santos** means Santos QNT Pty Ltd (ABN 33 083 077 196);

**Santos Farm-in Agreement** means a farm-in agreement with Santos in respect of any of the following petroleum tenement applications being ATP1107, ATP1192, ATP1193, EP172 and EP177;

**South Nicholson Basin Farm-in Permits** means the following petroleum tenement applications being ATP1087, ATP1107, ATP1192, ATP1193, EP172 and EP177;

**Ugandan Government** means the Government of the Republic of Uganda;

**Ugandan Licence** means the Exploration Licence No. 1/2017 (Kanywataba Block) issued by the Ugandan Government to the Issuer, which the Ugandan Government announced was renewed for a further two years following the expiry of its initial term on 13 September 2019, and the associated production sharing agreement between the Issuer and the Ugandan Government dated on or about 14 September 2017;

**Ugandan Conditional Contingent Licence Liability** means an amount not exceeding US\$7,500,000, for which the licensee of the Ugandan Licence may become liable to the Ugandan Government pursuant to the terms of the Ugandan Licence;

**Uganda Project Letter Agreement** means an agreement between the Issuer and DGR Global dated on or about 8 September 2017 pursuant to which, amongst other things, the Issuer agrees to hold DGR Global's 83.18% interest in the Ugandan Licence on trust for DGR Global; and

**Unscheduled Amortisation Account** means an account in the name of the Note Trustee established at the direction of the Issuer for the purposes of facilitating an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").";

- (ii) the definition of "Amortised Face Amount" shall be replaced in its entirety with the following:

**"Amortised Face Amount** means, in respect of a Note, an amount equal to its Denomination on the Issue Date less (x) the aggregate of all Amortisation Amounts paid with respect to that Note and (y) all unscheduled amortisation

amounts paid on the Notes under and in accordance with Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”);

- (iii) the definition of “Debt Service Cover Ratio” shall be replaced in its entirety with the following:

**“Debt Service Cover Ratio or DSCR means the ratio of A:B for the period ending on each Calculation Date:**

- (i) which falls in the 2021 financial year, the period commencing on 1 July 2020 and ending on that Calculation Date; and
- (ii) which falls after 30 June 2021, the preceding 12 month period ending on that Calculation Date,

in each case where:

A = EBIT of the Group for the period; and

B = the aggregate interest (and amounts in the nature of interest) and scheduled principal payments made on Financial Indebtedness. For the avoidance of doubt, this will not include any interest or scheduled principal payments on the Convertible Notes that are to be redeemed with the funds from the issue of the Notes;”;

- (iv) the definition of “Leverage Ratio” shall be replaced in its entirety with the following:

**“Leverage Ratio means for the period ending on each Calculation Date which falls:**

- (i) in the 2021 financial year, the ratio of A:B where:

A = the aggregate amount of all drawn (secured and unsecured) Financial Indebtedness of the Group; and

B = annualised EBITDA of the Group for the period commencing on 1 July 2020 and ending on that Calculation Date; and

- (ii) after 30 June 2021, the ratio of A:B where:

A = the aggregate amount of all drawn (secured and unsecured) Financial Indebtedness of the Group; and

B = EBITDA of the Group for the 12 month period ending on that Calculation Date;”;

- (v) deleting the definition of “Uganda Project” in its entirety;

- (b) Condition 5.1(a) (“Financial undertakings – Debt Service Cover Ratio”) shall be deleted and replaced with the following:

- “(a) (**Debt Service Cover Ratio**) the Debt Service Cover Ratio on each Calculation Date occurring during the period set out in the first column of the table in this paragraph (a) below is not less than the corresponding ratio set out in the second column of the table in this paragraph (a) below:



| <b>Period during which the Calculation Date occurs</b>       | <b>Debt Service Cover Ratio</b> |
|--|---------------------------------|
| <i>From any date to (and including) 31 March 2020</i>        | <i>Not applicable</i>           |
| <i>From 1 April 2020 to (and including) 30 June 2020</i>     | <i>Not applicable</i>           |
| <i>From 1 July 2020 to (and including) 30 September 2020</i> | <i>1.50:1.00</i>                |
| <i>From 1 October 2020 to (and including) 30 June 2021</i>   | <i>1.75:1.00</i>                |
| <i>From 1 July 2021 to (and including) the Maturity Date</i> | <i>2.00:1.00</i>                |

- (c) Condition 5.1(b) (“Financial undertakings – Gearing Ratio”) shall be deleted and replaced with the following:

“(b) **(Gearing Ratio)** the Gearing Ratio on each Calculation Date set out in the first column of the table in this paragraph (b) below does not exceed the corresponding ratio set out in the second column of the table in this paragraph (b) below:

| <b>Calculation Date</b>  | <b>Gearing Ratio</b> |
|--|----------------------|
| <i>30 June 2019</i>  | <i>55%</i>           |
| <i>31 December 2019</i>  | <i>55%</i>           |
| <i>30 June 2020</i>  | <i>60%</i>           |
| <i>31 December 2020</i>  | <i>55%</i>           |
| <i>30 June 2021</i>  | <i>50%</i>           |
| <i>31 December 2021</i>  | <i>40%</i>           |
| <i>Each 30 June and 31 December thereafter until the Maturity Date</i> | <i>35%</i>           |

- (d) Condition 5.1(c) (“Financial undertakings – Leverage Ratio”) shall be deleted and replaced with the following:

“(c) **(Leverage Ratio)** the Leverage Ratio on each Calculation Date occurring during the period set out in the first column of the table in this paragraph (c) below does not exceed the corresponding ratio set out in the second column of the table in this paragraph (c) below:

| <b>Period during which the Calculation Date occurs</b> | <b>Leverage Ratio</b> |
|--|-----------------------|
|--|-----------------------|

|  |                       |
|--|-----------------------|
| <i>From any date to (and including) 31 March 2020</i>        | <i>Not applicable</i> |
| <i>From 1 April 2020 to (and including) 30 June 2020</i>     | <i>Not applicable</i> |
| <i>From 1 July 2020 to (and including) 31 December 2020</i>  | <i>3.50:1.00</i>      |
| <i>From 1 January 2021 to (and including) 30 June 2021</i>   | <i>3.00:1.00</i>      |
| <i>From 1 July 2021 to (and including) 30 June 2022</i>      | <i>2.50:1.00</i>      |
| <i>From 1 July 2022 to (and including) the Maturity Date</i> | <i>2.00:1.00</i>      |

- (e) a new Condition 5.1(e) (“Financial undertakings – Minimum EBITDA”) shall be added as follows:

“(e) (**Minimum EBITDA**) the Issuer will ensure that on each date set out in the first column of the table in this paragraph (e) below EBITDA for the period set out in the second column of the table in this paragraph (e) below is greater than the corresponding value set out in the third column of the table in this paragraph (e) below:

| <b>Date</b>              | <b>Period (dates inclusive)</b>            | <b>EBITDA</b>         |
|--------------------------|--|-----------------------|
| <i>30 June 2020</i>      | <i>1 January 2020 to 30 June 2020</i>      | <i>A\$2,500,000</i>   |
| <i>30 September 2020</i> | <i>1 January 2020 to 30 September 2020</i> | <i>A\$6,500,000</i>   |
| <i>31 December 2020</i>  | <i>1 January 2020 to 31 December 2020</i>  | <i>A\$11,000,000</i>  |
| <i>Not applicable</i>    | <i>1 January 2021 to the Maturity Date</i> | <i>Not applicable</i> |

- (f) Condition 5.2 (“Negative pledge”) shall be amended by adding a new sub-paragraph (i) as follows (together with appropriate formatting changes for consistency):

“(i) *Security Interests required to be created or granted to a Joint Venture Partner pursuant to a Joint Venture provided that the Note Trustee is reasonably satisfied that such Security Interests effectively rank, at all times, subordinated and junior to the Security granted for the benefit of the Noteholders.*”;

(g) Condition 5.3(b) ("Limit on incurring Financial Indebtedness") shall be amended by replacing the words "*within 12 months after the Issue Date ("Debt Lock up Date")*" with the words "*before 31 December 2020 ("Debt Lock up Date")*";

(h) Condition 5.4 ("Limit on providing Financial Accommodation") shall be amended by adding new sub-paragraphs (f) and (g) as follows (together with appropriate formatting changes for consistency):

"(f) *Financial Accommodation to Armour Uganda in an amount not exceeding US\$7,500,000 (being 100% of the Ugandan Conditional Contingent Licence Liability), by virtue of the provision of the Parent Company Guarantee to the Ugandan Government. The Parent Company Guarantee will become effective following the transfer of the Ugandan Licence by the Issuer to Armour Uganda. It is acknowledged that DGR Global has provided the Deed of Indemnity and Guarantee to the Issuer, and accordingly the Issuer's net exposure under this Financial Accommodation is US\$1,261,500 worth of the Ugandan Conditional Contingent Licence Liability (subject to DGR Global meeting its obligations under the Deed of Indemnity and Guarantee). Following the transfer of the Ugandan Licence to Armour Uganda, DGR Global will become a shareholder of 83.18% of Armour Uganda's issued capital, and Armour Uganda, the Issuer and DGR Global will seek to replace the Parent Company Guarantee with two separate guarantees reflecting the respective interests of the Issuer and DGR Global in Armour Uganda. If these separate guarantees replace the Parent Company Guarantee, then the Issuer will only be liable for approximately US\$1,261,500 worth of the Ugandan Conditional Contingent Licence Liability; and*

(g) *any Financial Accommodation provided by an Obligor to a Joint Venture Partner in respect of the South Nicholson Basin Farm-in Permits and the Murrungama PLA up to an aggregate amount of A\$3,000,000 at any time.*";

(i) Condition 5.6 ("Disposals") shall be amended by substituting sub – paragraph (c) (which should be deleted in its entirety) with a new sub-paragraph (c) as follows:

"(c) *Disposal of the Ugandan Licence to Armour Uganda or DGR Global, as the case may be.*"; and

(j) Condition 5.6(g)(iii) ("Disposals") shall be deleted in its entirety;

(k) a new Condition 5.6B ("Use of Disposal Net Proceeds") shall be added as follows:

**"5.6B Use of Disposal Net Proceeds**

*Notwithstanding any other Condition, the Net Proceeds of any Disposal under any of Conditions 5.6(f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h) ("Disposals") shall be allocated by the Issuer as follows:*

(a) *not less than 50% of such Net Proceeds being applied as an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-in Payments and certain Disposals"); and*

(b) *the remaining balance not applied in accordance with paragraph (a) to be retained and used and applied by the Group as permitted or required by the relevant sub-paragraph of Condition 5.6 ("Disposals").*

*For the avoidance of doubt, in the event of any conflict between this Condition 5.6B and Conditions 5.6 ("Disposals"), this Condition 5.6B shall prevail."*

- (l) a new Condition 5.9A ("Use of Farm-In Payments") shall be added as follows:

**"5.9A Use of Farm-In Payments**

*Notwithstanding any other Condition, each Farm-In Payment shall be allocated by the Issuer as follows:*

- (a) *not less than A\$1,650,000 of each Farm-In Payment being applied as an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-in Payments and certain Disposals"); and*
- (b) *the remaining balance not applied in accordance with paragraph (a) to be retained and used and applied by the Group for general corporate purposes.*

- (m) a new Condition 5.9B ("Unscheduled Amortisation Account") shall be added as follows:

**"5.9B Unscheduled Amortisation Account**

*The Issuer undertakes to procure that the Unscheduled Amortisation Account is opened and that any amounts standing to the credit of the Unscheduled Amortisation Account are to be held on trust by the Note Trustee for the benefit of the Noteholders and used to effect an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").*

*Within 2 Business Days of receipt of any Farm-In Payment or Net Proceeds from certain Disposals pursuant to Conditions 5.6(f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h), the Issuer must deposit an amount equal to that referred to in Condition 5.6B(a) ("Use of Disposal Net Proceeds") or Condition 5.9A(a) ("Use of Farm-In Payments") (as the case may be) into the Unscheduled Amortisation Account to be applied only for the purposes of an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").*

- (n) Condition 9.4 ("Early redemption at the option of the Issuer (Issuer Call)") shall be amended by adding a new sub-paragraph (aa) as follows (together with appropriate formatting changes for consistency):

*"(aa) on any date before the First Optional Redemption Date by payment of 103% of the Outstanding Principal Amount of each Note being redeemed, provided that the amount to be redeemed is at least 10% of the Outstanding Principal Amount."*

- (o) a new Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals") shall be added as follows:

**"9.6A Unscheduled amortisation on Farm-In Payments and certain Disposals**

*The Issuer shall make an unscheduled amortisation payment on each Note if required to do so under Condition 5.9A ("Use of Farm-In Payments") or Condition 5.6B ("Use of Disposal Net Proceeds").*

*In such circumstances, the Issuer shall:*

- (a) *within 2 Business Days of receipt of any Net Proceeds or Farm-In Payment, give notice (“**Unscheduled Amortisation Notice**”) to the Registrar, the Note Trustee, the Noteholders and each other Agent specifying:*
  - (i) *the amount of the Net Proceeds or Farm-In Payment that is to be applied as an unscheduled amortisation payment on the Notes (which shall constitute the amount determined in accordance with Condition 5.6B(a) or 5.9A(a), as the case may be); and*
  - (ii) *the date of the unscheduled amortisation payment (which shall be the Interest Payment Date immediately following the date of the Unscheduled Amortisation Notice, provided that if the Unscheduled Amortisation Notice is given after a Record Date in respect of an Interest Payment Date, the unscheduled amortisation date shall be the next following Interest Payment Date); and*
- (b) *determine the pro rata amount of the amortisation payment across all Noteholders in a fair and reasonable manner having regard to (i) the amount of the Net Proceeds or Farm-In Payment available to be applied in accordance with this Condition 9.6A (ii) the then Amortised Face Amount of each Note (iii) whole denominations and (iv) otherwise in compliance with any applicable law or directive.*

*Promptly following an unscheduled amortisation payment under this Condition 9.6A, the Issuer will procure that the Calculation Agent prepare a substitute repayment schedule in the same manner as if Condition 9.7(b) (“Partial redemptions”) also applied to this Condition 9.6A mutatis mutandis. Payments made under this Condition 9.6A are not, and shall not be deemed to be, scheduled principal payments.”; and*

- (p) *execute, deliver (if applicable) and to do all such other deeds, instruments, acts and things as may be necessary, desirable or expedient in its sole opinion to carry out and give effect to this Special Resolution and the implementation of the amendments referred to in this Special Resolution, including but not limited to making any consequential amendments necessary or desirable to any document in respect of the Conditions of the Notes or any such document, agreement or arrangement to provide for such amendments.*

The Noteholders direct the Note Trustee to do anything it considers necessary or desirable to give effect to the Special Resolution.

If the Special Resolution is passed, the replacement Pricing Supplement will be executed and issued by the Issuer and the Initial Guarantors (as defined in the Note Trust Deed) shortly after the Special Resolution has passed but prior to any payments being made by the Issuer under the amended Amortisation Schedule.

If the Invitation is terminated by the Issuer for any reason prior to the Special Resolution having been passed, the Special Resolution shall be deemed not have occurred and the amendments shall be deemed not to have taken effect.

Further background information with respect to the rationale of the Special Resolution are set out in the Explanatory Memorandum.

### **Your vote is important**

This document constitutes notice of the Circulating Resolution. The Circulating Resolution will only be passed if **at least 75%** of the principal amount of the Notes vote in favour of the proposed amendments.

### **Instructions to Austraclear to sign**

Only those Austraclear Participants in whose Austraclear Security Record the Notes appear immediately prior to the Austraclear System opening on the Record Date (the “**Austraclear Holders**”) will be entitled to instruct Austraclear to sign the Special Resolution.

**If you are a Beneficial Holder then you must direct the Austraclear Holder, in whose Security Record the Notes in respect of which you have that beneficial interest are recorded, to complete the “Instruction to Sign” form.**

### **Action required by Austraclear Holders**

To instruct Austraclear, Austraclear Holders must complete the Instruction to Sign and return that document by email to the Note Trustee at the following:

- **Attention:** Manager, Agency & Trustee
- **Email:** csf.team@perpetual.com.au

The Instruction to Sign must be received no later than 10.00 am on Tuesday 24 March 2020 to be valid.

### **Austraclear to sign**

Austraclear is recorded in the Register as the sole Noteholder for the Notes. Consequently, only Austraclear will be entitled to vote in respect of the Special Resolution. Austraclear will vote on the Special Resolution on the instruction of Austraclear Holders on whose behalf it holds the Notes as nominee.

**Neither Austraclear nor the Note Trustee expresses any opinion about the terms of the Special Resolution or makes any recommendation as to whether to vote in favour of or against or how to vote in respect of the Special Resolution.**

The Board of the Issuer recommends that you vote in favour of the Special Resolution.

**Armour Energy Limited**

Dated: 11 March 2020

## ANNEXURE A – SPECIAL RESOLUTION

The Special Resolution to be considered by Noteholders is set out immediately below.

### Special Resolution

The Circulating Resolution is to seek and, if passed, obtain approval from Noteholders for the Special Resolution set out below

(a) Condition 1.2 (“Definitions”) is amended by:

(i) adding the following new definitions in applicable alphabetical order:

**“Armour Uganda** means Armour Energy (Uganda) – SMC Ltd, (registration number 800200007008745), a company incorporated in the Republic of Uganda pursuant to section 18 (3) of the Companies Act 2012;

**Deed of Indemnity and Guarantee** means the deed of indemnity and guarantee dated 18 December 2019, which is provided by DGR Global in favour of the Issuer and:

(a) which indemnifies the Issuer against:

(i) all costs associated with complying with the obligations under the Ugandan Licence; and

(ii) any claim, demand, debt, action, proceeding, cost, charge, expense, damage loss or other liability related to the obligations under the Ugandan Licence,

in each case for up to a maximum of 83.18% of the Issuer’s liability, until such time as the Ugandan Government cancels or returns the Parent Company Guarantee to the Issuer; and

(b) pursuant to which DGR Global guarantees to and indemnifies to the Issuer the due, punctual and complete performance by Armour Uganda of all of its obligations under the Ugandan Licence following the transfer to it of the Ugandan Licence up to a maximum of 83.18% of the Issuer’s liability under the Parent Company Guarantee;

**DGR Global** means DGR Global Limited (ACN 052 354 837);

**Farm-In Payment** means each amount of A\$3,000,000 “Transfer Payment” (as that term is defined in the Santos Farm-in Agreement) received by any Obligor from Santos (or any related party including Santos Limited (ABN 80 007 550 923)) in connection with the Santos Farm-in Agreement;

**Joint Venture** means a commercial arrangement entered into from time to time between an Obligor and one or more Joint Venture Partners in respect of the exploration for, and development/production of, oil and gas;

**Joint Venture Partner** means a party to a Joint Venture other than an Obligor;

**Murrungama PLA** means the petroleum lease application over the tenement described as ATP2046 (known as the Murrungama Block) and any petroleum lease derived, and any renewal, extension, modification, variation, conversion, substitution or subdivision of any of the foregoing or part thereof;

**Net Proceeds** means the net cash proceeds of any Disposal for which an Obligor receives cash as payment in whole or in part for that Disposal under Condition 5.6B ("Use of Disposal Net Proceeds") after payment of any reasonable costs, reasonable expenses and transaction Taxes (which excludes any Tax imposed on, or calculated by reference to, the net income of an Obligor) in connection with the transaction effecting that Disposal;

**Parent Company Guarantee** means the parent company guarantee provided by the Issuer to the Ugandan Government which guarantees the performance by Armour Uganda of its obligations under the Ugandan Licence;

**Santos** means Santos QNT Pty Ltd (ABN 33 083 077 196);

**Santos Farm-in Agreement** means a farm-in agreement with Santos in respect of any of the following petroleum tenement applications being ATP1107, ATP1192, ATP1193, EP172 and EP177;

**South Nicholson Basin Farm-in Permits** means the following petroleum tenement applications being ATP1087, ATP1107, ATP1192, ATP1193, EP172 and EP177;

**Ugandan Government** means the Government of the Republic of Uganda;

**Ugandan Licence** means the Exploration Licence No. 1/2017 (Kanywataba Block) issued by the Ugandan Government to the Issuer, which the Ugandan Government announced was renewed for a further two years following the expiry of its initial term on 13 September 2019, and the associated production sharing agreement between the Issuer and the Ugandan Government dated on or about 14 September 2017;

**Ugandan Conditional Contingent Licence Liability** means an amount not exceeding US\$7,500,000, for which the licensee of the Ugandan Licence may become liable to the Ugandan Government pursuant to the terms of the Ugandan Licence;

**Uganda Project Letter Agreement** means an agreement between the Issuer and DGR Global dated on or about 8 September 2017 pursuant to which, amongst other things, the Issuer agrees to hold DGR Global's 83.18% interest in the Ugandan Licence on trust for DGR Global; and

**Unscheduled Amortisation Account** means an account in the name of the Note Trustee established at the direction of the Issuer for the purposes of facilitating an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").";

- (ii) the definition of "Amortised Face Amount" shall be replaced in its entirety with the following:

**"Amortised Face Amount** means, in respect of a Note, an amount equal to its Denomination on the Issue Date less (x) the aggregate of all Amortisation Amounts paid with respect to that Note and (y) all unscheduled amortisation amounts paid on the Notes under and in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").";

- (iii) the definition of "Debt Service Cover Ratio" shall be replaced in its entirety with the following:

**"Debt Service Cover Ratio or DSCR** means the ratio of A:B for the period ending on each Calculation Date:



- (i) which falls in the 2021 financial year, the period commencing on 1 July 2020 and ending on that Calculation Date; and
- (ii) which falls after 30 June 2021, the preceding 12 month period ending on that Calculation Date,

in each case where:

*A = EBIT of the Group for the period; and*

*B = the aggregate interest (and amounts in the nature of interest) and scheduled principal payments made on Financial Indebtedness. For the avoidance of doubt, this will not include any interest or scheduled principal payments on the Convertible Notes that are to be redeemed with the funds from the issue of the Notes;”;*

- (iv) the definition of “Leverage Ratio” shall be replaced in its entirety with the following:

**“Leverage Ratio** means for the period ending on each Calculation Date which falls:

- (i) in the 2021 financial year, the ratio of A:B where:

*A = the aggregate amount of all drawn (secured and unsecured) Financial Indebtedness of the Group; and*

*B = annualised EBITDA of the Group for the period commencing on 1 July 2020 and ending on that Calculation Date; and*

- (ii) after 30 June 2021, the ratio of A:B where:

*A = the aggregate amount of all drawn (secured and unsecured) Financial Indebtedness of the Group; and*

*B = EBITDA of the Group for the 12 month period ending on that Calculation Date;”;*

- (v) deleting the definition of “Uganda Project” in its entirety;

- (b) Condition 5.1(a) (“Financial undertakings – Debt Service Cover Ratio”) shall be deleted and replaced with the following:

**“(a) (Debt Service Cover Ratio) the Debt Service Cover Ratio on each Calculation Date occurring during the period set out in the first column of the table in this paragraph (a) below is not less than the corresponding ratio set out in the second column of the table in this paragraph (a) below:**

| <b>Period during which the Calculation Date occurs</b>   | <b>Debt Service Cover Ratio</b> |
|--|---------------------------------|
| <i>From any date to (and including) 31 March 2020</i>    | <i>Not applicable</i>           |
| <i>From 1 April 2020 to (and including) 30 June 2020</i> | <i>Not applicable</i>           |

|  |                  |
|--|------------------|
| <i>From 1 July 2020 to (and including) 30 September 2020</i> | <i>1.50:1.00</i> |
| <i>From 1 October 2020 to (and including) 30 June 2021</i>   | <i>1.75:1.00</i> |
| <i>From 1 July 2021 to (and including) the Maturity Date</i> | <i>2.00:1.00</i> |

- (c) Condition 5.1(b) (“Financial undertakings – Gearing Ratio”) shall be deleted and replaced with the following:

“(b) **(Gearing Ratio)** the Gearing Ratio on each Calculation Date set out in the first column of the table in this paragraph (b) below does not exceed the corresponding ratio set out in the second column of the table in this paragraph (b) below:

| <b>Calculation Date</b>  | <b>Gearing Ratio</b> |
|--|----------------------|
| <i>30 June 2019</i>  | <i>55%</i>           |
| <i>31 December 2019</i>  | <i>55%</i>           |
| <i>30 June 2020</i>  | <i>60%</i>           |
| <i>31 December 2020</i>  | <i>55%</i>           |
| <i>30 June 2021</i>  | <i>50%</i>           |
| <i>31 December 2021</i>  | <i>40%</i>           |
| <i>Each 30 June and 31 December thereafter until the Maturity Date</i> | <i>35%</i>           |

- (d) Condition 5.1(c) (“Financial undertakings – Leverage Ratio”) shall be deleted and replaced with the following:

“(c) **(Leverage Ratio)** the Leverage Ratio on each Calculation Date occurring during the period set out in the first column of the table in this paragraph (c) below does not exceed the corresponding ratio set out in the second column of the table in this paragraph (c) below:

| <b>Period during which the Calculation Date occurs</b>   | <b>Leverage Ratio</b> |
|--|-----------------------|
| <i>From any date to (and including) 31 March 2020</i>    | <i>Not applicable</i> |
| <i>From 1 April 2020 to (and including) 30 June 2020</i> | <i>Not applicable</i> |

|  |                  |
|--|------------------|
| <i>From 1 July 2020 to (and including) 31 December 2020</i>  | <i>3.50:1.00</i> |
| <i>From 1 January 2021 to (and including) 30 June 2021</i>   | <i>3.00:1.00</i> |
| <i>From 1 July 2021 to (and including) 30 June 2022</i>      | <i>2.50:1.00</i> |
| <i>From 1 July 2022 to (and including) the Maturity Date</i> | <i>2.00:1.00</i> |

- (e) a new Condition 5.1(e) (“Financial undertakings – Minimum EBITDA”) shall be added as follows:

“(e) **(Minimum EBITDA)** the Issuer will ensure that on each date set out in the first column of the table in this paragraph (e) below EBITDA for the period set out in the second column of the table in this paragraph (e) below is greater than the corresponding value set out in the third column of the table in this paragraph (e) below:

| <b>Date</b>              | <b>Period (dates inclusive)</b>            | <b>EBITDA</b>         |
|--------------------------|--|-----------------------|
| <i>30 June 2020</i>      | <i>1 January 2020 to 30 June 2020</i>      | <i>A\$2,500,000</i>   |
| <i>30 September 2020</i> | <i>1 January 2020 to 30 September 2020</i> | <i>A\$6,500,000</i>   |
| <i>31 December 2020</i>  | <i>1 January 2020 to 31 December 2020</i>  | <i>A\$11,000,000</i>  |
| <i>Not applicable</i>    | <i>1 January 2021 to the Maturity Date</i> | <i>Not applicable</i> |

- (f) Condition 5.2 (“Negative pledge”) shall be amended by adding a new sub-paragraph (i) as follows (together with appropriate formatting changes for consistency):

“(i) *Security Interests required to be created or granted to a Joint Venture Partner pursuant to a Joint Venture provided that the Note Trustee is reasonably satisfied that such Security Interests effectively rank, at all times, subordinated and junior to the Security granted for the benefit of the Noteholders.*”;

- (g) Condition 5.3(b) (“Limit on incurring Financial Indebtedness”) shall be amended by replacing the words “*within 12 months after the Issue Date (“Debt Lock up Date”)*” with the words “*before 31 December 2020 (“Debt Lock up Date”)*”;

- (h) Condition 5.4 (“Limit on providing Financial Accommodation”) shall be amended by adding new sub-paragraphs (f) and (g) as follows (together with appropriate formatting changes for consistency):

- “(f) *Financial Accommodation to Armour Uganda in an amount not exceeding US\$7,500,000 (being 100% of the Ugandan Conditional Contingent Licence Liability), by virtue of the provision of the Parent Company Guarantee to the Ugandan Government. The Parent Company Guarantee will become effective following the transfer of the Ugandan Licence by the Issuer to Armour Uganda. It is acknowledged that DGR Global has provided the Deed of Indemnity and Guarantee to the Issuer, and accordingly the Issuer’s net exposure under this Financial Accommodation is US\$1,261,500 worth of the Ugandan Conditional Contingent Licence Liability (subject to DGR Global meeting its obligations under the Deed of Indemnity and Guarantee). Following the transfer of the Ugandan Licence to Armour Uganda, DGR Global will become a shareholder of 83.18% of Armour Uganda’s issued capital, and Armour Uganda, the Issuer and DGR Global will seek to replace the Parent Company Guarantee with two separate guarantees reflecting the respective interests of the Issuer and DGR Global in Armour Uganda. If these separate guarantees replace the Parent Company Guarantee, then the Issuer will only be liable for approximately US\$1,261,500 worth of the Ugandan Conditional Contingent Licence Liability; and*
- (g) *any Financial Accommodation provided by an Obligor to a Joint Venture Partner in respect of the South Nicholson Basin Farm-in Permits and the Murrungama PLA up to an aggregate amount of A\$3,000,000 at any time.”;*
- (i) Condition 5.6 (“Disposals”) shall be amended by substituting sub – paragraph (c) (which should be deleted in its entirety) with a new sub-paragraph (c) as follows:
- “(c) *Disposal of the Ugandan Licence to Armour Uganda or DGR Global, as the case may be.”; and*
- (j) Condition 5.6(g)(iii) (“Disposals”) shall be deleted in its entirety;
- (k) a new Condition 5.6B (“Use of Disposal Net Proceeds”) shall be added as follows:

**“5.6B Use of Disposal Net Proceeds**

*Notwithstanding any other Condition, the Net Proceeds of any Disposal under any of Conditions 5.6(f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h) (“Disposals”) shall be allocated by the Issuer as follows:*

- (a) *not less than 50% of such Net Proceeds being applied as an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A (“Unscheduled amortisation on Farm-in Payments and certain Disposals”); and*
- (b) *the remaining balance not applied in accordance with paragraph (a) to be retained and used and applied by the Group as permitted or required by the relevant sub-paragraph of Condition 5.6 (“Disposals”).*

*For the avoidance of doubt, in the event of any conflict between this Condition 5.6B and Conditions 5.6 (“Disposals”), this Condition 5.6B shall prevail.”;*

- (l) a new Condition 5.9A (“Use of Farm-In Payments”) shall be added as follows:

**“5.9A Use of Farm-In Payments**

*Notwithstanding any other Condition, each Farm-In Payment shall be allocated by the Issuer as follows:*

- (a) *not less than A\$1,650,000 of each Farm-In Payment being applied as an unscheduled amortisation payment on the Notes in accordance with*

*Condition 9.6A (“Unscheduled amortisation on Farm-in Payments and certain Disposals”); and*

- (b) the remaining balance not applied in accordance with paragraph (a) to be retained and used and applied by the Group for general corporate purposes.*
- (m) a new Condition 5.9B (“Unscheduled Amortisation Account”) shall be added as follows:

**“5.9B Unscheduled Amortisation Account**

*The Issuer undertakes to procure that the Unscheduled Amortisation Account is opened and that any amounts standing to the credit of the Unscheduled Amortisation Account are to be held on trust by the Note Trustee for the benefit of the Noteholders and used to effect an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”).*

*Within 2 Business Days of receipt of any Farm-In Payment or Net Proceeds from certain Disposals pursuant to Conditions 5.6(f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h), the Issuer must deposit an amount equal to that referred to in Condition 5.6B(a) (“Use of Disposal Net Proceeds”) or Condition 5.9A(a) (“Use of Farm-In Payments”) (as the case may be) into the Unscheduled Amortisation Account to be applied only for the purposes of an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”).”;*

- (n) Condition 9.4 (“Early redemption at the option of the Issuer (Issuer Call)”) shall be amended by adding a new sub-paragraph (aa) as follows (together with appropriate formatting changes for consistency):

*“(aa) on any date before the First Optional Redemption Date by payment of 103% of the Outstanding Principal Amount of each Note being redeemed, provided that the amount to be redeemed is at least 10% of the Outstanding Principal Amount.”.*

- (o) a new Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”) shall be added as follows:

**“9.6A Unscheduled amortisation on Farm-In Payments and certain Disposals**

*The Issuer shall make an unscheduled amortisation payment on each Note if required to do so under Condition 5.9A (“Use of Farm-In Payments”) or Condition 5.6B (“Use of Disposal Net Proceeds”).*

*In such circumstances, the Issuer shall:*

- (a) *within 2 Business Days of receipt of any Net Proceeds or Farm-In Payment, give notice (“**Unscheduled Amortisation Notice**”) to the Registrar, the Note Trustee, the Noteholders and each other Agent specifying:*
  - (i) the amount of the Net Proceeds or Farm-In Payment that is to be applied as an unscheduled amortisation payment on the Notes (which shall constitute the amount determined in accordance with Condition 5.6B(a) or 5.9A(a), as the case may be); and*
  - (ii) the date of the unscheduled amortisation payment (which shall be the Interest Payment Date immediately following the date of the Unscheduled Amortisation Notice, provided that if the Unscheduled Amortisation Notice is given after a Record Date in respect of an Interest Payment Date, the*

*unscheduled amortisation date shall be the next following Interest Payment Date); and*

*(i)*

- (b) determine the pro rata amount of the amortisation payment across all Noteholders in a fair and reasonable manner having regard to (i) the amount of the Net Proceeds or Farm-In Payment available to be applied in accordance with this Condition 9.6A (ii) the then Amortised Face Amount of each Note (iii) whole denominations and (iv) otherwise in compliance with any applicable law or directive.*

*Promptly following an unscheduled amortisation payment under this Condition 9.6A, the Issuer will procure that the Calculation Agent prepare a substitute repayment schedule in the same manner as if Condition 9.7(b) ("Partial redemptions") also applied to this Condition 9.6A mutatis mutandis. Payments made under this Condition 9.6A are not, and shall not be deemed to be, scheduled principal payments."; and*

- (p) execute, deliver (if applicable) and to do all such other deeds, instruments, acts and things as may be necessary, desirable or expedient in its sole opinion to carry out and give effect to this Special Resolution and the implementation of the amendments referred to in this Special Resolution, including but not limited to making any consequential amendments necessary or desirable to any document in respect of the Conditions of the Notes or any such document, agreement or arrangement to provide for such amendments.*

The Noteholders direct the Note Trustee to do anything it considers necessary or desirable to give effect to the Special Resolution (including signing and delivering a supplemental deed to the Note Trust Deed to give effect to the Special Resolution).

If the invitation is terminated by the Issuer for any reason prior to the Special Resolution having been passed, the Special Resolution shall be deemed not to have occurred and the amendments shall be deemed not to have taken effect.

## SCHEDULE TO THE SPECIAL RESOLUTION

### Scheduled Amortisation Amounts

The payments to be made on each Interest Payment Date are as follows:

|    | Amortisation<br>Payment Date | Amortisation<br>Payment<br>(A\$ per Note) | Aggregate Amount<br>of Amortisation of<br>the Notes (A\$) | Aggregate Amortised<br>Face Amount of the<br>Notes (A\$) | Interest<br>(A\$) | Aggregate<br>Amortisation<br>Amount +<br>Interest (A\$) |
|----|------------------------------|---|---|--|-------------------|---|
| 1  | 29 June 2019                 | Nil                                       | Nil   | 55,000,000   | 1,203,125         | 1,203,125   |
| 2  | 29 Sep 2019                  | Nil                                       | Nil   | 55,000,000   | 1,203,125         | 1,203,125   |
| 3  | 29 Dec 2019                  | Nil                                       | Nil   | 55,000,000   | 1,203,125         | 1,203,125   |
| 4  | 29 Mar 2020                  | 50  | 2,750,000   | 52,250,000   | 1,203,125         | 3,953,125   |
| 5  | 29 June 2020                 | 20  | 1,100,000   | 51,250,000   | 1,142,969         | 2,242,969   |
| 6  | 29 Sep 2020                  | 20  | 1,100,000   | 50,050,000   | 1,118,906         | 2,218,906   |
| 7  | 29 Dec 2020                  | 20  | 1,100,000   | 48,950,000   | 1,094,844         | 2,194,844   |
| 8  | 29 Mar 2021                  | 35  | 1,925,000   | 47,025,000   | 1,070,781         | 2,995,781   |
| 9  | 29 June 2021                 | 35  | 1,925,000   | 45,100,000   | 1,028,672         | 2,953,672   |
| 10 | 29 Sep 2021                  | 40  | 2,200,000   | 42,900,000   | 986,563           | 3,186,563   |
| 11 | 29 Dec 2021                  | 40  | 2,200,000   | 40,700,000   | 938,438           | 3,138,438   |
| 12 | 29 Mar 2022                  | 40  | 2,200,000   | 38,500,000   | 890,313           | 3,090,313   |
| 13 | 29 June 2022                 | 40  | 2,200,000   | 36,300,000   | 842,188           | 3,042,188   |
| 14 | 29 Sep 2022                  | 45  | 2,475,000   | 33,825,000   | 794,063           | 3,269,063   |
| 15 | 29 Dec 2022                  | 45  | 2,475,000   | 31,350,000   | 739,922           | 3,214,922   |
| 16 | 29 Mar 2023                  | 50  | 2,750,000   | 28,600,000   | 685,781           | 3,435,781   |
| 17 | 29 June 2023                 | 50  | 2,750,000   | 25,850,000   | 625,625           | 3,375,625   |
| 18 | 29 Sep 2023                  | 50  | 2,750,000   | 23,100,000   | 565,469           | 3,315,469   |
| 19 | 29 Dec 2023                  | 50  | 2,750,000   | 20,350,000   | 505,313           | 3,255,313   |
| 20 | 29 Mar 2024                  | 370                                       | 20,350,000  | 0  | 445,156           | 20,795,156  |

## ANNEXURE B - INSTRUCTION TO SIGN

### 1 DETAILS OF AUSTRACLEAR HOLDER

Name: .....

Address: .....

Phone Number: .....

### 2 DETAILS OF NOTES HELD BY AUSTRACLEAR HOLDER

|   | Aggregate principal amount of Notes held by the Austraclear Holder |
|---|--|
| A\$55,000,000 in aggregate principal amount outstanding of the 8.75% Fixed Rate Secured Amortising Notes due 29 March 2024 (ISIN: AU3CB0261998) | A\$[●]   |

### 3 DETAILS OF BENEFICIAL HOLDERS WHICH HAVE INSTRUCTED YOU AS THE AUSTRACLEAR HOLDER (This section is not mandatory and failure to complete this section does not invalidate this Instruction to Sign.)

Name: .....

Name: .....

Name: .....

Name: .....

### 4 DIRECTION TO SIGN

I direct Austraclear Ltd to vote in favour of the Special Resolution below in accordance with the following.

| Special Resolution in respect of the Notes  |                                   |   |   |   |                 |
|---|-----------------------------------|---|---|---|-----------------|
| The Noteholder resolves that the Special Resolution set out in the Notice of Circulating Resolution and Explanatory Memorandum dated 11 March 2020 be voted as follows. |                                   |   |   |   |                 |
| Noteholder  | Name of authorised representative | Outstanding principal amount of Notes to be voted for | Outstanding principal amount of Notes to be voted against | Outstanding principal amount of Notes abstained | Date of signing |
| Austraclear Ltd   |                                   | A\$[●]  | A\$[●]/Nil  | A\$[●]/Nil                                      |                 |



**Signing Instructions:**

- 1 select the appropriate execution clause from those set out below (or if the appropriate execution clause is not set out below, insert the appropriate execution clause);
- 2 sign and date it accordingly; and
- 3 deliver the completed Instruction to Sign form by email to the Note Trustee at the following details, by no later than 10.00 am (Sydney time) on Tuesday 24 March 2020:

**Email:** [csf.team@perpetual.com.au](mailto:csf.team@perpetual.com.au)

2020

Name of Company Secretary/Director  
(block letters)

)  
)  
)  
)  
)  
)  
)  
)  
)  
)  
)

Name of Director  
(block letters)

Name of Attorney  
as attorney for:

Name of witness (block letters)

)  
)  
)  
)  
)  
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)  
)  
)  
)  
)  
)  
)  
)  
)

By executing these Instructions to Sign the attorney states that the attorney has received no notice of revocation of the power of attorney and has included a certified copy of the power of attorney with these Instructions to Sign.

**OR**

**SIGNED** by

as Authorised Representative for

[insert name of Austraclear Holder]  
in the presence of:

Signature of witness

Name of witness (block letters)

By executing these Instructions to Sign the authorised representative states that the authorised representative has received no notice of revocation of their authority to sign.

**OR INSERT OTHER BELOW**

## ANNEXURE C – NOTIFICATION OF VOTING INTENTION RECEIVED FROM AUSTRACLEAR HOLDERS

[To be provided by the Issuer to Austraclear]

[If at any time on or prior to 10.00 am on Tuesday 24 March 2020 the Note Trustee has received Instruction to Sign in favour of the Special Resolution from Noteholders of at least 75% of the aggregate principal amount of Notes outstanding, this Notification of Voting Intention will operate as a “Certificate of Instructions to Sign” from the Note Trustee to Austraclear instructing Austraclear to sign the Circulating Resolution]

### [Letterhead of the Issuer]

#### Amendment of the Conditions of the following Notes

| Issuer                | ISIN         | Title   | Status  | Aggregate outstanding principal amount |
|-----------------------|--------------|---|---------|--|
| Armour Energy Limited | AU3CB0261998 | 8.75% Fixed Rate Secured Amortising Notes due 29 March 2024 | Secured | A\$55,000,000                          |

Date: [●] March 2020

To: **Austraclear Ltd (ABN 94 002 060 773) as the registered Noteholder of the Notes issued by Armour Energy Limited (ABN 60 141 198 414) (“Issuer”) and described above (the “Notes”):**

We refer to the Notice of Circulating Resolution and Explanatory Memorandum dated 11 March 2020 (“**Notice of Circulating Resolution**”) in respect of the proposed amendments to the Conditions of the Notes (“**Proposed Amendments**”). We confirm that a Special Resolution in the form set out in the Notice of Circulating Resolution is required to give effect to the Proposed Amendments. Terms not defined in this notice have the meanings given in that Notice of Circulating Resolution.

We confirm that the Note Trustee has advised us that the Notice of Circulating Resolution was circulated to Austraclear Holders.

We certify that we received instructions from the Note Trustee that, as at [●][am/pm] on [●] March 2020, the Note Trustee had received validly completed Instructions to Sign in respect of the Special Resolution from Austraclear Holders (or nominee Austraclear Holders) in whose Security Record the Notes are held, in the form satisfactory to the Note Trustee in respect of Notes representing A\$[●] in aggregate principal amount outstanding.

We confirm that those Austraclear Holders have instructed Austraclear Ltd to vote on the resolution by signing a Circulating Resolution in the form set out in the Notice of Circulating Resolution, as follows

| Voted for | Voted against | Abstained | No votes received |
|-----------|---------------|-----------|-------------------|
| A\$[●]    | A\$[●]        | A\$[●]    | A\$[●]            |

The Issuer certifies that this is a sufficient majority to pass the resolution as a Special Resolution and that the Austraclear Holders have authorised and instructed Austraclear Ltd to pass the following Special Resolution:

#### Special Resolution

- (a) Condition 1.2 (“Definitions”) is amended by:

- (i) adding the following new definitions in applicable alphabetical order:

**“Armour Uganda** means Armour Energy (Uganda) – SMC Ltd, (registration number 800200007008745), a company incorporated in the Republic of Uganda pursuant to section 18 (3) of the Companies Act 2012;

**Deed of Indemnity and Guarantee** means the deed of indemnity and guarantee dated 18 December 2019, which is provided by DGR Global in favour of the Issuer and:

- (a) which indemnifies the Issuer against:

- (i) all costs associated with complying with the obligations under the Ugandan Licence; and
- (ii) any claim, demand, debt, action, proceeding, cost, charge, expense, damage loss or other liability related to the obligations under the Ugandan Licence,

in each case for up to a maximum of 83.18% of the Issuer’s liability, until such time as the Ugandan Government cancels or returns the Parent Company Guarantee to the Issuer; and

- (b) pursuant to which DGR Global guarantees to and indemnifies to the Issuer the due, punctual and complete performance by Armour Uganda of all of its obligations under the Ugandan Licence following the transfer to it of the Ugandan Licence up to a maximum of 83.18% of the Issuer’s liability under the Parent Company Guarantee;

**DGR Global** means DGR Global Limited (ACN 052 354 837);

**Farm-In Payment** means each amount of A\$3,000,000 “Transfer Payment” (as that term is defined in the Santos Farm-in Agreement) received by any Obligor from Santos (or any related party including Santos Limited (ABN 80 007 550 923)) in connection with the Santos Farm-in Agreement;

**Joint Venture** means a commercial arrangement entered into from time to time between an Obligor and one or more Joint Venture Partners in respect of the exploration for, and development/production of, oil and gas;

**Joint Venture Partner** means a party to a Joint Venture other than an Obligor;

**Murrungama PLA** means the petroleum lease application over the tenement described as ATP2046 (known as the Murrungama Block) and any petroleum lease derived, and any renewal, extension, modification, variation, conversion, substitution or subdivision of any of the foregoing or part thereof;

**Net Proceeds** means the net cash proceeds of any Disposal for which an Obligor receives cash as payment in whole or in part for that Disposal under Condition 5.6B (“Use of Disposal Net Proceeds”) after payment of any reasonable costs, reasonable expenses and transaction Taxes (which excludes any Tax imposed on, or calculated by reference to, the net income of an Obligor) in connection with the transaction effecting that Disposal;

**Parent Company Guarantee** means the parent company guarantee provided by the Issuer to the Ugandan Government which guarantees the performance by Armour Uganda of its obligations under the Ugandan Licence;

**Santos** means Santos QNT Pty Ltd (ABN 33 083 077 196);

**Santos Farm-in Agreement** means a farm-in agreement with Santos in respect of any of the following petroleum tenement applications being ATP1107, ATP1192, ATP1193, EP172 and EP177;

**South Nicholson Basin Farm-in Permits** means the following petroleum tenement applications being ATP1087, ATP1107, ATP1192, ATP1193, EP172 and EP177;

**Ugandan Government** means the Government of the Republic of Uganda;

**Ugandan Licence** means the Exploration Licence No. 1/2017 (Kanywataba Block) issued by the Ugandan Government to the Issuer, which the Ugandan Government announced was renewed for a further two years following the expiry of its initial term on 13 September 2019, and the associated production sharing agreement between the Issuer and the Ugandan Government dated on or about 14 September 2017;

**Ugandan Conditional Contingent Licence Liability** means an amount not exceeding US\$7,500,000, for which the licensee of the Ugandan Licence may become liable to the Ugandan Government pursuant to the terms of the Ugandan Licence;

**Uganda Project Letter Agreement** means an agreement between the Issuer and DGR Global dated on or about 8 September 2017 pursuant to which, amongst other things, the Issuer agrees to hold DGR Global's 83.18% interest in the Ugandan Licence on trust for DGR Global; and

**Unscheduled Amortisation Account** means an account in the name of the Note Trustee established at the direction of the Issuer for the purposes of facilitating an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").";

- (ii) the definition of "Amortised Face Amount" shall be replaced in its entirety with the following:

**"Amortised Face Amount** means, in respect of a Note, an amount equal to its Denomination on the Issue Date less (x) the aggregate of all Amortisation Amounts paid with respect to that Note and (y) all unscheduled amortisation amounts paid on the Notes under and in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").";

- (iii) the definition of "Debt Service Cover Ratio" shall be replaced in its entirety with the following:

**"Debt Service Cover Ratio or DSCR** means the ratio of A:B for the period ending on each Calculation Date:

- (i) which falls in the 2021 financial year, the period commencing on 1 July 2020 and ending on that Calculation Date; and
- (ii) which falls after 30 June 2021, the preceding 12 month period ending on that Calculation Date,

in each case where:

A = EBIT of the Group for the period; and

B = the aggregate interest (and amounts in the nature of interest) and scheduled principal payments made on Financial Indebtedness. For the

*avoidance of doubt, this will not include any interest or scheduled principal payments on the Convertible Notes that are to be redeemed with the funds from the issue of the Notes;"*;

- (iv) the definition of "Leverage Ratio" shall be replaced in its entirety with the following:

**"Leverage Ratio** means for the period ending on each Calculation Date which falls:

- (i) *in the 2021 financial year, the ratio of A:B where:*

*A = the aggregate amount of all drawn (secured and unsecured) Financial Indebtedness of the Group; and*

*B = annualised EBITDA of the Group for the period commencing on 1 July 2020 and ending on that Calculation Date; and*

- (ii) *after 30 June 2021, the ratio of A:B where:*

*A = the aggregate amount of all drawn (secured and unsecured) Financial Indebtedness of the Group; and*

*B = EBITDA of the Group for the 12 month period ending on that Calculation Date;"*;

- (v) deleting the definition of "Uganda Project" in its entirety;

- (b) Condition 5.1(a) ("Financial undertakings – Debt Service Cover Ratio") shall be deleted and replaced with the following:

- "(a) (Debt Service Cover Ratio)** *the Debt Service Cover Ratio on each Calculation Date occurring during the period set out in the first column of the table in this paragraph (a) below is not less than the corresponding ratio set out in the second column of the table in this paragraph (a) below:*

| <b>Period during which the Calculation Date occurs</b>       | <b>Debt Service Cover Ratio</b> |
|--|---------------------------------|
| <i>From any date to (and including) 31 March 2020</i>        | <i>Not applicable</i>           |
| <i>From 1 April 2020 to (and including) 30 June 2020</i>     | <i>Not applicable</i>           |
| <i>From 1 July 2020 to (and including) 30 September 2020</i> | <i>1.50:1.00</i>                |
| <i>From 1 October 2020 to (and including) 30 June 2021</i>   | <i>1.75:1.00</i>                |
| <i>From 1 July 2021 to (and including) the Maturity Date</i> | <i>2.00:1.00</i>                |

- (c) Condition 5.1(b) ("Financial undertakings – Gearing Ratio") shall be deleted and replaced with the following:

- “(b) **(Gearing Ratio)** the Gearing Ratio on each Calculation Date set out in the first column of the table in this paragraph (b) below does not exceed the corresponding ratio set out in the second column of the table in this paragraph (b) below:

| <b>Calculation Date</b>   | <b>Gearing Ratio</b> |
|---|----------------------|
| 30 June 2019  | 55%                  |
| 31 December 2019  | 55%                  |
| 30 June 2020  | 60%                  |
| 31 December 2020  | 55%                  |
| 30 June 2021  | 50%                  |
| 31 December 2021  | 40%                  |
| Each 30 June and 31 December thereafter until the Maturity Date | 35%                  |

- (d) Condition 5.1(c) (“Financial undertakings – Leverage Ratio”) shall be deleted and replaced with the following:

- “(c) **(Leverage Ratio)** the Leverage Ratio on each Calculation Date occurring during the period set out in the first column of the table in this paragraph (c) below does not exceed the corresponding ratio set out in the second column of the table in this paragraph (c) below:

| <b>Period during which the Calculation Date occurs</b> | <b>Leverage Ratio</b> |
|--|-----------------------|
| From any date to (and including) 31 March 2020         | Not applicable        |
| From 1 April 2020 to (and including) 30 June 2020      | Not applicable        |
| From 1 July 2020 to (and including) 31 December 2020   | 3.50:1.00             |
| From 1 January 2021 to (and including) 30 June 2021    | 3.00:1.00             |
| From 1 July 2021 to (and including) 30 June 2022       | 2.50:1.00             |
| From 1 July 2022 to (and including) the Maturity Date  | 2.00:1.00             |

- (e) a new Condition 5.1(e) (“Financial undertakings – Minimum EBITDA”) shall be added as follows:

- “(e) **(Minimum EBITDA)** the Issuer will ensure that on each date set out in the first column of the table in this paragraph (e) below EBITDA for the period set out in the second column of the table in this paragraph (e) below is greater than the corresponding value set out in the third column of the table in this paragraph (e) below:

| <b>Date</b>       | <b>Period (dates inclusive)</b>     | <b>EBITDA</b>  |
|-------------------|-------------------------------------|----------------|
| 30 June 2020      | 1 January 2020 to 30 June 2020      | A\$2,500,000   |
| 30 September 2020 | 1 January 2020 to 30 September 2020 | A\$6,500,000   |
| 31 December 2020  | 1 January 2020 to 31 December 2020  | A\$11,000,000  |
| Not applicable    | 1 January 2021 to the Maturity Date | Not applicable |

- (f) Condition 5.2 (“Negative pledge”) shall be amended by adding a new sub-paragraph (i) as follows (together with appropriate formatting changes for consistency):

“(i) *Security Interests required to be created or granted to a Joint Venture Partner pursuant to a Joint Venture provided that the Note Trustee is reasonably satisfied that such Security Interests effectively rank, at all times, subordinated and junior to the Security granted for the benefit of the Noteholders.*”;

- (g) Condition 5.3(b) (“Limit on incurring Financial Indebtedness”) shall be amended by replacing the words “*within 12 months after the Issue Date (“Debt Lock up Date”)*” with the words “*before 31 December 2020 (“Debt Lock up Date”)*”;

- (h) Condition 5.4 (“Limit on providing Financial Accommodation”) shall be amended by adding new sub-paragraphs (f) and (g) as follows (together with appropriate formatting changes for consistency):

“(f) *Financial Accommodation to Armour Uganda in an amount not exceeding US\$7,500,000 (being 100% of the Ugandan Conditional Contingent Licence Liability), by virtue of the provision of the Parent Company Guarantee to the Ugandan Government. The Parent Company Guarantee will become effective following the transfer of the Ugandan Licence by the Issuer to Armour Uganda. It is acknowledged that DGR Global has provided the Deed of Indemnity and Guarantee to the Issuer, and accordingly the Issuer’s net exposure under this Financial Accommodation is US\$1,261,500 worth of the Ugandan Conditional Contingent Licence Liability (subject to DGR Global meeting its obligations under the Deed of Indemnity and Guarantee). Following the transfer of the Ugandan Licence to Armour Uganda, DGR Global will become a shareholder of 83.18% of Armour Uganda’s issued capital, and Armour Uganda, the Issuer and DGR Global will seek to replace the Parent Company Guarantee with two separate guarantees reflecting the respective interests of the Issuer and DGR Global in Armour Uganda. If these separate guarantees replace the Parent Company Guarantee, then the Issuer will only be liable for approximately US\$1,261,500 worth of the Ugandan Conditional Contingent Licence Liability; and*



- (g) *any Financial Accommodation provided by an Obligor to a Joint Venture Partner in respect of the South Nicholson Basin Farm-in Permits and the Murrungama PLA up to an aggregate amount of A\$3,000,000 at any time.*;
- (i) Condition 5.6 (“Disposals”) shall be amended by substituting sub – paragraph (c) (which should be deleted in its entirety) with a new sub-paragraph (c) as follows:
  - “(c) *Disposal of the Ugandan Licence to Armour Uganda or DGR Global, as the case may be.*”; and
- (j) Condition 5.6(g)(iii) (“Disposals”) shall be deleted in its entirety;
- (k) a new Condition 5.6B (“Use of Disposal Net Proceeds”) shall be added as follows:

**“5.6B Use of Disposal Net Proceeds**

*Notwithstanding any other Condition, the Net Proceeds of any Disposal under any of Conditions 5.6(f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h) (“Disposals”) shall be allocated by the Issuer as follows:*

- (a) *not less than 50% of such Net Proceeds being applied as an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A (“Unscheduled amortisation on Farm-in Payments and certain Disposals”); and*
- (b) *the remaining balance not applied in accordance with paragraph (a) to be retained and used and applied by the Group as permitted or required by the relevant sub-paragraph of Condition 5.6 (“Disposals”).*

*For the avoidance of doubt, in the event of any conflict between this Condition 5.6B and Conditions 5.6 (“Disposals”), this Condition 5.6B shall prevail.”;*

- (l) a new Condition 5.9A (“Use of Farm-In Payments”) shall be added as follows:

**“5.9A Use of Farm-In Payments**

*Notwithstanding any other Condition, each Farm-In Payment shall be allocated by the Issuer as follows:*

- (a) *not less than A\$1,650,000 of each Farm-In Payment being applied as an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A (“Unscheduled amortisation on Farm-in Payments and certain Disposals”); and*
- (b) *the remaining balance not applied in accordance with paragraph (a) to be retained and used and applied by the Group for general corporate purposes.*
- (m) a new Condition 5.9B (“Unscheduled Amortisation Account”) shall be added as follows:

**“5.9B Unscheduled Amortisation Account**

*The Issuer undertakes to procure that the Unscheduled Amortisation Account is opened and that any amounts standing to the credit of the Unscheduled Amortisation Account are to be held on trust by the Note Trustee for the benefit of the Noteholders and used to effect an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”).*

*Within 2 Business Days of receipt of any Farm-In Payment or Net Proceeds from certain Disposals pursuant to Conditions 5.6(f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h), the Issuer must deposit an amount equal to that referred to in Condition 5.6B(a) ("Use of Disposal Net Proceeds") or Condition 5.9A(a) ("Use of Farm-In Payments") (as the case may be) into the Unscheduled Amortisation Account to be applied only for the purposes of an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").";*

- (n) Condition 9.4 ("Early redemption at the option of the Issuer (Issuer Call)") shall be amended by adding a new sub-paragraph (aa) as follows (together with appropriate formatting changes for consistency):

*"(aa) on any date before the First Optional Redemption Date by payment of 103% of the Outstanding Principal Amount of each Note being redeemed, provided that the amount to be redeemed is at least 10% of the Outstanding Principal Amount."*

- (o) a new Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals") shall be added as follows:

**"9.6A Unscheduled amortisation on Farm-In Payments and certain Disposals"**

*The Issuer shall make an unscheduled amortisation payment on each Note if required to do so under Condition 5.9A ("Use of Farm-In Payments") or Condition 5.6B ("Use of Disposal Net Proceeds").*

*In such circumstances, the Issuer shall:*

- (a) *within 2 Business Days of receipt of any Net Proceeds or Farm-In Payment, give notice ("**Unscheduled Amortisation Notice**") to the Registrar, the Note Trustee, the Noteholders and each other Agent specifying:*
- (i) the amount of the Net Proceeds or Farm-In Payment that is to be applied as an unscheduled amortisation payment on the Notes (which shall constitute the amount determined in accordance with Condition 5.6B(a) or 5.9A(a), as the case may be); and*
  - (ii) the date of the unscheduled amortisation payment (which shall be the Interest Payment Date immediately following the date of the Unscheduled Amortisation Notice, provided that if the Unscheduled Amortisation Notice is given after a Record Date in respect of an Interest Payment Date, the unscheduled amortisation date shall be the next following Interest Payment Date); and*
- (b) *determine the pro rata amount of the amortisation payment across all Noteholders in a fair and reasonable manner having regard to (i) the amount of the Net Proceeds or Farm-In Payment available to be applied in accordance with this Condition 9.6A (ii) the then Amortised Face Amount of each Note (iii) whole denominations and (iv) otherwise in compliance with any applicable law or directive.*

*Promptly following an unscheduled amortisation payment under this Condition 9.6A, the Issuer will procure that the Calculation Agent prepare a substitute repayment schedule in the same manner as if Condition 9.7(b) ("Partial redemptions") also applied to this Condition 9.6A mutatis mutandis. Payments made under this Condition 9.6A are not, and shall not be deemed to be, scheduled principal payments."; and*

- (p) execute, deliver (if applicable) and to do all such other deeds, instruments, acts and things as may be necessary, desirable or expedient in its sole opinion to carry out and give effect to this Special Resolution and the implementation of the amendments referred to in this Special Resolution, including but not limited to making any consequential amendments necessary or desirable to any document in respect of the Conditions of the Notes or any such document, agreement or arrangement to provide for such amendments.

We **attach** a Circulating Resolution to be signed by Austraclear reflecting those instructions.

We have relied, without further investigation or verification, on the Instructions to Sign received by the Note Trustee and from the Austraclear Holders and forwarded to us as we have no reasonable grounds to believe that those Instructions to Sign are not genuine or correct.

Armour Energy Limited

.....  
Signature of director

.....  
Signature of director/company secretary

.....  
Name of director

.....  
Name of director/company secretary

## CIRCULATING RESOLUTION

[to be delivered by Austraclear to the Issuer and the Note Trustee]

Date: [●] March 2020

### Circulating Resolution of Noteholders of the following Notes (together, the “Notes”):

| Issuer                | ISIN         | Title   | Status  | Aggregate outstanding principal amount |
|-----------------------|--------------|---|---------|--|
| Armour Energy Limited | AU3CB0261998 | 8.75% Fixed Rate Secured Amortising Notes due 29 March 2024 | Secured | A\$55,000,000                          |

Austraclear Ltd refers to the Notice of Circulating Resolution and Explanatory Memorandum dated 11 March 2020 (“**Notice of Circulating Resolution**”) in respect of the proposed amendments (“**Proposed Amendments**”) to the Conditions of the Notes.

Austraclear Ltd, being the registered holder of all of the outstanding Notes, hereby votes in favour of the Special Resolution in accordance with the Notification of Voting Intention received from the Issuer dated on or around the date of this resolution and, consequently, the Special Resolution set out below is passed by this Circulating Resolution in accordance with the Armour Energy Note Trust constituted by the Note Trust Deed dated 25 March 2019 between the Issuer, the Initial Guarantors (as defined therein) and Perpetual Corporate Trust Limited.

### Capitalised terms

Capitalised terms used in this resolution and not otherwise defined have the meaning given to them in the Notice of Circulating Resolution and Explanatory Memorandum.

### Special Resolution

(a) Condition 1.2 (“Definitions”) is amended by:

(i) adding the following new definitions in applicable alphabetical order:

**“Armour Uganda** means *Armour Energy (Uganda) – SMC Ltd, (registration number 800200007008745), a company incorporated in the Republic of Uganda pursuant to section 18 (3) of the Companies Act 2012;*

**Deed of Indemnity and Guarantee** means *the deed of indemnity and guarantee dated 18 December 2019, which is provided by DGR Global in favour of the Issuer and:*

(a) *which indemnifies the Issuer against:*

(i) *all costs associated with complying with the obligations under the Ugandan Licence; and*

(ii) *any claim, demand, debt, action, proceeding, cost, charge, expense, damage loss or other liability related to the obligations under the Ugandan Licence,*

*in each case for up to a maximum of 83.18% of the Issuer’s liability, until such time as the Ugandan Government cancels or returns the Parent Company Guarantee to the Issuer; and*

(b) *pursuant to which DGR Global guarantees to and indemnifies to the Issuer the due, punctual and complete performance by Armour Uganda*

*of all of its obligations under the Ugandan Licence following the transfer to it of the Ugandan Licence up to a maximum of 83.18% of the Issuer's liability under the Parent Company Guarantee;*

**DGR Global** means DGR Global Limited (ACN 052 354 837);

**Farm-In Payment** means each amount of A\$3,000,000 "Transfer Payment" (as that term is defined in the Santos Farm-in Agreement) received by any Obligor from Santos (or any related party including Santos Limited (ABN 80 007 550 923)) in connection with the Santos Farm-in Agreement;

**Joint Venture** means a commercial arrangement entered into from time to time between an Obligor and one or more Joint Venture Partners in respect of the exploration for, and development/production of, oil and gas;

**Joint Venture Partner** means a party to a Joint Venture other than an Obligor;

**Murrungama PLA** means the petroleum lease application over the tenement described as ATP2046 (known as the Murrungama Block) and any petroleum lease derived, and any renewal, extension, modification, variation, conversion, substitution or subdivision of any of the foregoing or part thereof;

**Net Proceeds** means the net cash proceeds of any Disposal for which an Obligor receives cash as payment in whole or in part for that Disposal under Condition 5.6B ("Use of Disposal Net Proceeds") after payment of any reasonable costs, reasonable expenses and transaction Taxes (which excludes any Tax imposed on, or calculated by reference to, the net income of an Obligor) in connection with the transaction effecting that Disposal;

**Parent Company Guarantee** means the parent company guarantee provided by the Issuer to the Ugandan Government which guarantees the performance by Armour Uganda of its obligations under the Ugandan Licence;

**Santos** means Santos QNT Pty Ltd (ABN 33 083 077 196);

**Santos Farm-in Agreement** means a farm-in agreement with Santos in respect of any of the following petroleum tenement applications being ATP1107, ATP1192, ATP1193, EP172 and EP177;

**South Nicholson Basin Farm-in Permits** means the following petroleum tenement applications being ATP1087, ATP1107, ATP1192, ATP1193, EP172 and EP177;

**Ugandan Government** means the Government of the Republic of Uganda;

**Ugandan Licence** means the Exploration Licence No. 1/2017 (Kanywataba Block) issued by the Ugandan Government to the Issuer, which the Ugandan Government announced was renewed for a further two years following the expiry of its initial term on 13 September 2019, and the associated production sharing agreement between the Issuer and the Ugandan Government dated on or about 14 September 2017;

**Ugandan Conditional Contingent Licence Liability** means an amount not exceeding US\$7,500,000, for which the licensee of the Ugandan Licence may become liable to the Ugandan Government pursuant to the terms of the Ugandan Licence;

**Uganda Project Letter Agreement** means an agreement between the Issuer and DGR Global dated on or about 8 September 2017 pursuant to which,

amongst other things, the Issuer agrees to hold DGR Global's 83.18% interest in the Ugandan Licence on trust for DGR Global; and

**Unscheduled Amortisation Account** means an account in the name of the Note Trustee established at the direction of the Issuer for the purposes of facilitating an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").";

- (ii) the definition of "Amortised Face Amount" shall be replaced in its entirety with the following:

**"Amortised Face Amount** means, in respect of a Note, an amount equal to its Denomination on the Issue Date less (x) the aggregate of all Amortisation Amounts paid with respect to that Note and (y) all unscheduled amortisation amounts paid on the Notes under and in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").";

- (iii) the definition of "Debt Service Cover Ratio" shall be replaced in its entirety with the following:

**"Debt Service Cover Ratio or DSCR** means the ratio of A:B for the period ending on each Calculation Date:

- (i) which falls in the 2021 financial year, the period commencing on 1 July 2020 and ending on that Calculation Date; and
- (ii) which falls after 30 June 2021, the preceding 12 month period ending on that Calculation Date,

in each case where:

A = EBIT of the Group for the period; and

B = the aggregate interest (and amounts in the nature of interest) and scheduled principal payments made on Financial Indebtedness. For the avoidance of doubt, this will not include any interest or scheduled principal payments on the Convertible Notes that are to be redeemed with the funds from the issue of the Notes;";

- (iv) the definition of "Leverage Ratio" shall be replaced in its entirety with the following:

**"Leverage Ratio** means for the period ending on each Calculation Date which falls:

- (i) in the 2021 financial year, the ratio of A:B where:

A = the aggregate amount of all drawn (secured and unsecured) Financial Indebtedness of the Group; and

B = annualised EBITDA of the Group for the period commencing on 1 July 2020 and ending on that Calculation Date; and

- (ii) after 30 June 2021, the ratio of A:B where:

A = the aggregate amount of all drawn (secured and unsecured) Financial Indebtedness of the Group; and

*B = EBITDA of the Group for the 12 month period ending on that Calculation Date;*

- (v) deleting the definition of "Uganda Project" in its entirety;
- (b) Condition 5.1(a) ("Financial undertakings – Debt Service Cover Ratio") shall be deleted and replaced with the following:

"(a) **(Debt Service Cover Ratio)** the Debt Service Cover Ratio on each Calculation Date occurring during the period set out in the first column of the table in this paragraph (a) below is not less than the corresponding ratio set out in the second column of the table in this paragraph (a) below:

| <b>Period during which the Calculation Date occurs</b>       | <b>Debt Service Cover Ratio</b> |
|--|---------------------------------|
| <i>From any date to (and including) 31 March 2020</i>        | <i>Not applicable</i>           |
| <i>From 1 April 2020 to (and including) 30 June 2020</i>     | <i>Not applicable</i>           |
| <i>From 1 July 2020 to (and including) 30 September 2020</i> | <i>1.50:1.00</i>                |
| <i>From 1 October 2020 to (and including) 30 June 2021</i>   | <i>1.75:1.00</i>                |
| <i>From 1 July 2021 to (and including) the Maturity Date</i> | <i>2.00:1.00</i>                |

- (c) Condition 5.1(b) ("Financial undertakings – Gearing Ratio") shall be deleted and replaced with the following:

"(b) **(Gearing Ratio)** the Gearing Ratio on each Calculation Date set out in the first column of the table in this paragraph (b) below does not exceed the corresponding ratio set out in the second column of the table in this paragraph (b) below:

| <b>Calculation Date</b> | <b>Gearing Ratio</b> |
|-------------------------|----------------------|
| <i>30 June 2019</i>     | <i>55%</i>           |
| <i>31 December 2019</i> | <i>55%</i>           |
| <i>30 June 2020</i>     | <i>60%</i>           |
| <i>31 December 2020</i> | <i>55%</i>           |
| <i>30 June 2021</i>     | <i>50%</i>           |
| <i>31 December 2021</i> | <i>40%</i>           |

|  |     |
|--|-----|
| <i>Each 30 June and 31 December thereafter until the Maturity Date</i> | 35% |
|--|-----|

- (d) Condition 5.1(c) ("Financial undertakings – Leverage Ratio") shall be deleted and replaced with the following:

"(c) **(Leverage Ratio)** the Leverage Ratio on each Calculation Date occurring during the period set out in the first column of the table in this paragraph (c) below does not exceed the corresponding ratio set out in the second column of the table in this paragraph (c) below:

| <b>Period during which the Calculation Date occurs</b>       | <b>Leverage Ratio</b> |
|--|-----------------------|
| <i>From any date to (and including) 31 March 2020</i>        | <i>Not applicable</i> |
| <i>From 1 April 2020 to (and including) 30 June 2020</i>     | <i>Not applicable</i> |
| <i>From 1 July 2020 to (and including) 31 December 2020</i>  | <i>3.50:1.00</i>      |
| <i>From 1 January 2021 to (and including) 30 June 2021</i>   | <i>3.00:1.00</i>      |
| <i>From 1 July 2021 to (and including) 30 June 2022</i>      | <i>2.50:1.00</i>      |
| <i>From 1 July 2022 to (and including) the Maturity Date</i> | <i>2.00:1.00</i>      |

- (e) a new Condition 5.1(e) ("Financial undertakings – Minimum EBITDA") shall be added as follows:

"(e) **(Minimum EBITDA)** the Issuer will ensure that on each date set out in the first column of the table in this paragraph (e) below EBITDA for the period set out in the second column of the table in this paragraph (e) below is greater than the corresponding value set out in the third column of the table in this paragraph (e) below:

| <b>Date</b>              | <b>Period (dates inclusive)</b>            | <b>EBITDA</b>        |
|--------------------------|--|----------------------|
| <i>30 June 2020</i>      | <i>1 January 2020 to 30 June 2020</i>      | <i>A\$2,500,000</i>  |
| <i>30 September 2020</i> | <i>1 January 2020 to 30 September 2020</i> | <i>A\$6,500,000</i>  |
| <i>31 December 2020</i>  | <i>1 January 2020 to 31 December 2020</i>  | <i>A\$11,000,000</i> |



|                |                                     |                |
|----------------|-------------------------------------|----------------|
| Not applicable | 1 January 2021 to the Maturity Date | Not applicable |
|----------------|-------------------------------------|----------------|

- (f) Condition 5.2 (“Negative pledge”) shall be amended by adding a new sub-paragraph (i) as follows (together with appropriate formatting changes for consistency):

“(i) *Security Interests required to be created or granted to a Joint Venture Partner pursuant to a Joint Venture provided that the Note Trustee is reasonably satisfied that such Security Interests effectively rank, at all times, subordinated and junior to the Security granted for the benefit of the Noteholders.*”;

- (g) Condition 5.3(b) (“Limit on incurring Financial Indebtedness”) shall be amended by replacing the words “*within 12 months after the Issue Date (“Debt Lock up Date”)*” with the words “*before 31 December 2020 (“Debt Lock up Date”)*”;

- (h) Condition 5.4 (“Limit on providing Financial Accommodation”) shall be amended by adding new sub-paragraphs (f) and (g) as follows (together with appropriate formatting changes for consistency):

“(f) *Financial Accommodation to Armour Uganda in an amount not exceeding US\$7,500,000 (being 100% of the Ugandan Conditional Contingent Licence Liability), by virtue of the provision of the Parent Company Guarantee to the Ugandan Government. The Parent Company Guarantee will become effective following the transfer of the Ugandan Licence by the Issuer to Armour Uganda. It is acknowledged that DGR Global has provided the Deed of Indemnity and Guarantee to the Issuer, and accordingly the Issuer’s net exposure under this Financial Accommodation is US\$1,261,500 worth of the Ugandan Conditional Contingent Licence Liability (subject to DGR Global meeting its obligations under the Deed of Indemnity and Guarantee). Following the transfer of the Ugandan Licence to Armour Uganda, DGR Global will become a shareholder of 83.18% of Armour Uganda’s issued capital, and Armour Uganda, the Issuer and DGR Global will seek to replace the Parent Company Guarantee with two separate guarantees reflecting the respective interests of the Issuer and DGR Global in Armour Uganda. If these separate guarantees replace the Parent Company Guarantee, then the Issuer will only be liable for approximately US\$1,261,500 worth of the Ugandan Conditional Contingent Licence Liability; and*

(g) *any Financial Accommodation provided by an Obligor to a Joint Venture Partner in respect of the South Nicholson Basin Farm-in Permits and the Murrungama PLA up to an aggregate amount of A\$3,000,000 at any time.*”;

- (i) Condition 5.6 (“Disposals”) shall be amended by substituting sub – paragraph (c) (which should be deleted in its entirety) with a new sub-paragraph (c) as follows:

“(c) *Disposal of the Ugandan Licence to Armour Uganda or DGR Global, as the case may be.*”;

- (j) Condition 5.6(g)(iii) (“Disposals”) shall be deleted in its entirety;

- (k) a new Condition 5.6B (“Use of Disposal Net Proceeds”) shall be added as follows:

**“5.6B Use of Disposal Net Proceeds**

*Notwithstanding any other Condition, the Net Proceeds of any Disposal under any of Conditions 5.6(f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h) (“Disposals”) shall be allocated by the Issuer as follows:*

- (a) *not less than 50% of such Net Proceeds being applied as an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals"); and*
- (b) *the remaining balance not applied in accordance with paragraph (a) to be retained and used and applied by the Group as permitted or required by the relevant sub-paragraph of Condition 5.6 ("Disposals").*

*For the avoidance of doubt, in the event of any conflict between this Condition 5.6B and Conditions 5.6 ("Disposals"), this Condition 5.6B shall prevail."*

- (l) a new Condition 5.9A ("Use of Farm-In Payments") shall be added as follows:

**"5.9A Use of Farm-In Payments**

*Notwithstanding any other Condition, each Farm-In Payment shall be allocated by the Issuer as follows:*

- (a) *not less than A\$1,650,000 of each Farm-In Payment being applied as an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals"); and*
- (b) *the remaining balance not applied in accordance with paragraph (a) to be retained and used and applied by the Group for general corporate purposes.*

- (m) a new Condition 5.9B ("Unscheduled Amortisation Account") shall be added as follows:

**"5.9B Unscheduled Amortisation Account**

*The Issuer undertakes to procure that the Unscheduled Amortisation Account is opened and that any amounts standing to the credit of the Unscheduled Amortisation Account are to be held on trust by the Note Trustee for the benefit of the Noteholders and used to effect an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals").*

*Within 2 Business Days of receipt of any Farm-In Payment or Net Proceeds from certain Disposals pursuant to Conditions 5.6(f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h), the Issuer must deposit an amount equal to that referred to in Condition 5.6B(a) ("Use of Disposal Net Proceeds") or Condition 5.9A(a) ("Use of Farm-In Payments") (as the case may be) into the Unscheduled Amortisation Account to be applied only for the purposes of an unscheduled amortisation payment on the Notes in accordance with Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals")."*

- (n) Condition 9.4 ("Early redemption at the option of the Issuer (Issuer Call)") shall be amended by adding a new sub-paragraph (aa) as follows (together with appropriate formatting changes for consistency):

*"(aa) on any date before the First Optional Redemption Date by payment of 103% of the Outstanding Principal Amount of each Note being redeemed, provided that the amount to be redeemed is at least 10% of the Outstanding Principal Amount."*

- (o) a new Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals") shall be added as follows:

**“9.6A Unscheduled amortisation on Farm-In Payments and certain Disposals**

*The Issuer shall make an unscheduled amortisation payment on each Note if required to do so under Condition 5.9A (“Use of Farm-In Payments”) or Condition 5.6B (“Use of Disposal Net Proceeds”).*

*In such circumstances, the Issuer shall:*

- (a) within 2 Business Days of receipt of any Net Proceeds or Farm-In Payment, give notice (“**Unscheduled Amortisation Notice**”) to the Registrar, the Note Trustee, the Noteholders and each other Agent specifying:*
  - (i) the amount of the Net Proceeds or Farm-In Payment that is to be applied as an unscheduled amortisation payment on the Notes (which shall constitute the amount determined in accordance with Condition 5.6B(a) or 5.9A(a), as the case may be); and*
  - (ii) the date of the unscheduled amortisation payment (which shall be the Interest Payment Date immediately following the date of the Unscheduled Amortisation Notice, provided that if the Unscheduled Amortisation Notice is given after a Record Date in respect of an Interest Payment Date, the unscheduled amortisation date shall be the next following Interest Payment Date); and*
- (b) determine the pro rata amount of the amortisation payment across all Noteholders in a fair and reasonable manner having regard to (i) the amount of the Net Proceeds or Farm-In Payment available to be applied in accordance with this Condition 9.6A (ii) the then Amortised Face Amount of each Note (iii) whole denominations and (iv) otherwise in compliance with any applicable law or directive.*

*Promptly following an unscheduled amortisation payment under this Condition 9.6A, the Issuer will procure that the Calculation Agent prepare a substitute repayment schedule in the same manner as if Condition 9.7(b) (“Partial redemptions”) also applied to this Condition 9.6A mutatis mutandis. Payments made under this Condition 9.6A are not, and shall not be deemed to be, scheduled principal payments.”; and*

- (p) execute, deliver (if applicable) and to do all such other deeds, instruments, acts and things as may be necessary, desirable or expedient in its sole opinion to carry out and give effect to this Special Resolution and the implementation of the amendments referred to in this Special Resolution, including but not limited to making any consequential amendments necessary or desirable to any document in respect of the Conditions of the Notes or any such document, agreement or arrangement to provide for such amendments.*

## SCHEDULE TO THE CIRCULATING RESOLUTION

### Scheduled Amortisation Amounts

The payments to be made on each Interest Payment Date are as follows:

|    | Amortisation<br>Payment Date | Amortisation<br>Payment<br>(A\$ per Note) | Aggregate Amount<br>of Amortisation of<br>the Notes (A\$) | Aggregate Amortised<br>Face Amount of the<br>Notes (A\$) | Interest<br>(A\$) | Aggregate<br>Amortisation<br>Amount +<br>Interest (A\$) |
|----|------------------------------|---|---|--|-------------------|---|
| 21 | 29 June 2019                 | Nil                                       | Nil   | 55,000,000   | 1,203,125         | 1,203,125   |
| 22 | 29 Sep 2019                  | Nil                                       | Nil   | 55,000,000   | 1,203,125         | 1,203,125   |
| 23 | 29 Dec 2019                  | Nil                                       | Nil   | 55,000,000   | 1,203,125         | 1,203,125   |
| 24 | 29 Mar 2020                  | 50  | 2,750,000   | 52,250,000   | 1,203,125         | 3,953,125   |
| 25 | 29 June 2020                 | 20  | 1,100,000   | 51,250,000   | 1,142,969         | 2,242,969   |
| 26 | 29 Sep 2020                  | 20  | 1,100,000   | 50,050,000   | 1,118,906         | 2,218,906   |
| 27 | 29 Dec 2020                  | 20  | 1,100,000   | 48,950,000   | 1,094,844         | 2,194,844   |
| 28 | 29 Mar 2021                  | 35  | 1,925,000   | 47,025,000   | 1,070,781         | 2,995,781   |
| 29 | 29 June 2021                 | 35  | 1,925,000   | 45,100,000   | 1,028,672         | 2,953,672   |
| 30 | 29 Sep 2021                  | 40  | 2,200,000   | 42,900,000   | 986,563           | 3,186,563   |
| 31 | 29 Dec 2021                  | 40  | 2,200,000   | 40,700,000   | 938,438           | 3,138,438   |
| 32 | 29 Mar 2022                  | 40  | 2,200,000   | 38,500,000   | 890,313           | 3,090,313   |
| 33 | 29 June 2022                 | 40  | 2,200,000   | 36,300,000   | 842,188           | 3,042,188   |
| 34 | 29 Sep 2022                  | 45  | 2,475,000   | 33,825,000   | 794,063           | 3,269,063   |
| 35 | 29 Dec 2022                  | 45  | 2,475,000   | 31,350,000   | 739,922           | 3,214,922   |
| 36 | 29 Mar 2023                  | 50  | 2,750,000   | 28,600,000   | 685,781           | 3,435,781   |
| 37 | 29 June 2023                 | 50  | 2,750,000   | 25,850,000   | 625,625           | 3,375,625   |
| 38 | 29 Sep 2023                  | 50  | 2,750,000   | 23,100,000   | 565,469           | 3,315,469   |
| 39 | 29 Dec 2023                  | 50  | 2,750,000   | 20,350,000   | 505,313           | 3,255,313   |
| 40 | 29 Mar 2024                  | 370                                       | 20,350,000  | 0  | 445,156           | 20,795,156  |

## Executed

as attorney for **AUSTRACLEAR LTD** under  
Power of Attorney dated 24 May 2019 in the  
presence of:

\_\_\_\_\_  
▲ Signature of witness

\_\_\_\_\_  
▲ Signature of Attorney

\_\_\_\_\_  
▲ Full name of witness (print)

\_\_\_\_\_  
▲ Full name of Attorney (print)

## EXPLANATORY MEMORANDUM

The information in this section is a brief summary of the reasons for the proposed amendments to permit the early repayment of part of the aggregate principal amount of the Notes, and amendments to certain financial undertakings and other Conditions being requested by the Issuer.

### Background to the Special Resolution and Commercial Rationale for the Proposed Amendments

The Notes were issued on 27 March 2019. Since then, the Issuer has continued with development activities associated with its exploration and production tenures in Queensland, the Northern Territory and Uganda.

During the course of 2019, Armour's work program was delivered. However, there were delays in the execution of the program and gas production achieved and the price realised for the gas sold was lower than was anticipated at the time that the Notes were issued. For these reasons, the issuer is seeking relaxation of several of the covenants, including the leverage, debt servicing coverage and gearing ratios.

The lower than expected production results were the result of a number of factors including the tight market for the procurement of drilling and workover rigs, and a 26-day outage of production from the Kincora Gas Plant, caused by the failure of a critical compressor associated with LPG production. The lower than expected output of the gas processing facility led to lower levels of working capital which would have ordinarily been used to further increase or accelerate new production.

The work program carried out did meet with some success, with the Myall Creek 5A well delivering greater than anticipated results, which has advanced the Issuer's understanding of the regional geology and sets the basis for the proposed 2020 development plan and proposed work program in line with the Issuer's previously outlined four phase growth strategy (as outlined below in Figure 1).

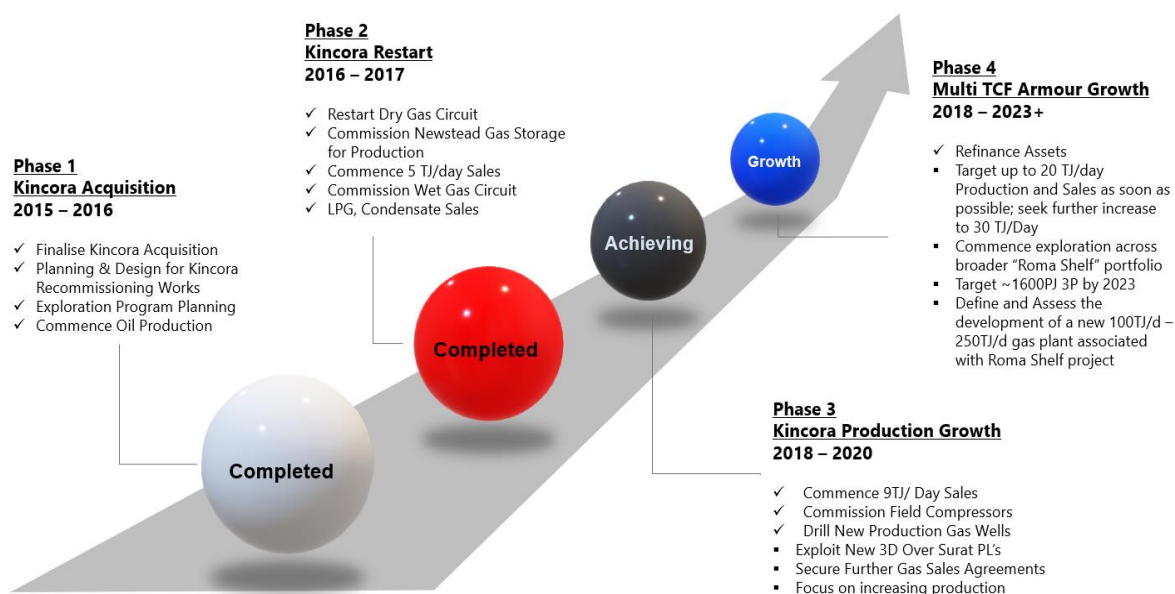


Figure 1: The Issuer's 4 Phase Growth Strategy

In respect to the 2020 forward work program, it is highlighted that the international oil and gas markets are suffering the impact of the COVID-19 virus, with significant falls in the oil price and the restriction of LNG sales into mainland China. These restrictions are causing an increase in gas available in the Eastern Australian Gas Market, which has resulted in a reduction of the domestic gas price. This is forecast by the Australian Competition and Consumer Commission (ACCC) to be a temporary drop in the gas price across the first three quarters of 2020 (as illustrated in Figure 2).

## LNG netback price chart

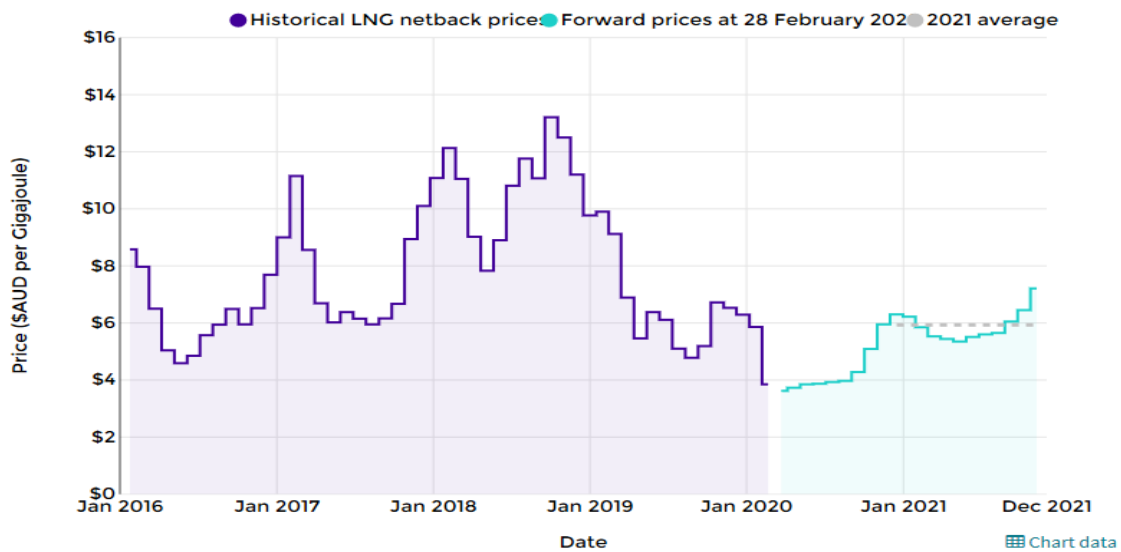


Figure 2: Source : ACCC Gas Inquiry 2017-2025, LNG Netback Price Series as at 2 March 2020

Since the issue of the Notes, the Issuer has met some of the shortfall in operating cashflow through successfully completing a A\$4 million equity capital raise in September 2019. The Issuer also intends, after receipt of Noteholder approval for the Proposed Amendments to raise additional equity capital of at least A\$5 million via an entitlement offer to existing shareholders (Entitlement Offer). The Entitlement Offer will be underwritten to the extent of at least A\$5 million by Bizzell Capital Partners Pty Ltd. The proceeds of the Entitlement Offer will be used together with existing cash reserves for the 2020 work program, the proposed quarterly amortisation payments and future working capital.

A further A\$15 million in funds was raised by the Issuer through a Permitted Disposal of a 70% interest in certain of its North Australian tenements to Santos QNT Limited (Santos) as a part of the South Nicholson Basin Farm-in and Joint Venture Arrangement. Under this agreement Santos will also free carry the Issuer for a significant work program. The Issuer intends to use some of the proceeds from this transaction to accelerate the amortisation of the principal of the Notes.

As a part of the South Nicholson Basin Farm-in agreement, the Issuer may receive additional Farm-In Payments of up to A\$15 million in total (up to five payments of A\$3 million each) of which the proposed amendments to the Conditions will require that not less than A\$1.65 million of each Farm-In Payment be applied as an unscheduled amortisation payment on the Notes. The Issuer is seeking amendments to the Conditions to permit it to continue progressing its farm-in arrangements and continue to develop its assets in Australia.

Concerning the Issuer's international oil project in Uganda, approval is being sought to authorise the Issuer to provide future Financial Accommodation to Armour Energy (Uganda) SMC Ltd, to permit the transfer of the Ugandan Exploration Licence from the parent company to the new Armour Energy (Uganda) SMC Ltd entity.

Looking at each of these issues in greater detail.

### A. An amended "Schedule - Scheduled Amortisation Amounts"

The Issuer is seeking amendments to the Scheduled Amortisation Amounts attached as a schedule to the Pricing Supplement dated 27 March 2019.

If the Special Resolution is passed, the existing Schedule will be replaced with the "Schedule of - Scheduled Amortisation Amounts" (set out in the Schedule to the Special Resolution which appears as

Annexure A to this Notice) and will allow the Issuer to make four additional quarterly payments totalling A\$6,050,000 by 29 December 2020.

## Background

The Issuer entered into the South Nicholson Basin Farmin Agreement (the “**Farmin Agreement**”) dated 29 November 2019 with Santos QNT Pty Ltd (**Santos**), a wholly-owned subsidiary of Santos Ltd (ASX: STO).

Under the Farmin Agreement, Santos has the right to earn, among other interests, a 70% participating and registered interest (“**Farmin Interest**”) in the Issuer’s:

- (a) North Queensland tenement, ATP1087 (“**Tenement ATP 1087**”);
- (b) North Queensland tenement applications ATP1107, ATP1192 and ATP1193; and
- (c) Northern Territory tenement applications EP172 and EP177,

(collectively the “**Farmin Permits**”).

The Issuer has already received a payment of A\$15 million (the “**Payment**”) in respect of the Farmin Interest for ATP1087. The Payment has been made subject to the Queensland Government registering the transfer of the Farmin Interest to Santos. At the date of this Circulating Resolution, the mortgage over ATP1087 which was created under the General Security Deed (entered into between, the Security Trustee, the Issuer and others dated 25 March 2019 (the “**General Security Deed**”)) has been released by the Security Trustee and this release has been recorded with the Queensland Government which will permit Santos to effect the transfer of the Farmin Interest.

The transfer to Santos of the Farmin Interest in the Farmin Permits is a “Disposal” for the purposes of the Conditions.

A Disposal is a “Permitted Disposal” for the purposes of Condition 5.6(g) if an amount equal to the net proceeds of the Disposal (being in this case the balance of the Payment), is used within 180 days after the Disposal to, amongst other things:

- (d) purchase, acquire develop, redevelop or construct productive assets for use by any Obligor in its business; or
- (e) prepay or repay any secured Financial Indebtedness, followed by any unsecured Financial Indebtedness, incurred by an Obligor.

The Issuer intends to use the Payment as contemplated by Condition 5.6(g) (“Disposals”), to make amortisation payments in accordance with the amended “Schedule - Scheduled Amortisation Amounts”, and to use the balance of the funds to fund its 2019 and 2020 work programs.

## B. The Issuer’s operations

**Amendments to: Condition 1.2 (“Definitions”), Condition 5.1(a) (“Financial undertakings – Debt Service Cover Ratio”), Condition 5.1(b) (“Financial undertakings – Gearing Ratio”), Condition 5.1(c) (“Financial undertakings – Leverage Ratio”) and Condition 5.3(b) (“Limit on incurring Financial Indebtedness”) (Debt Lock up Date), removal of Condition 5.6(g)(iii) (“Disposals”) and inserting new Condition 5.1(e) (“Financial undertakings – Minimum EBITDA”)**

The Issuer is seeking amendments to the Definitions and certain Conditions as a result of lower than anticipated production and sales prices in the domestic market and therefore reduced revenues from its Kincora Field Operations.

If the Special Resolution is passed, the Issuer will be relieved of specific obligations under Conditions 5.1(a) (“Financial undertakings – Debt Service Cover Ratio”) and Condition 5.1(c) (“Financial



undertakings – Leverage Ratio”) until 30 September 2020 and the Gearing Ratio will be amended for the calendar year 2020. A new Condition 5.1(e) (“Financial undertakings – Minimum EBITDA”) will also prescribe a minimum EBITDA which the Issuer must operate above for the calendar year 2020.

Also if the Special Resolution is passed, the Debt Lock Up Date in Condition 5.3(b) (which subject to certain exceptions, restricts an Obligor from increasing its Financial Indebtedness) will be extended to 31 December 2020 and Condition 5.6(g)(iii) (“Disposals”) which deems a “Disposal” a “Permitted Disposal” where an amount equal to the net proceeds of the Disposal is used within 180 days to make a Distribution or Capital Reduction as permitted under Condition 5.5 (“Limit on making certain payments”), will be removed.

## Background

The Issuer had originally planned to commence a substantial work program around mid-2019 that would have seen production rise to around approximately 15 TJ/day initially and thereafter to 18 TJ/day and 20 TJ/day in subsequent years. However, the Issuer’s ability to deliver its intended work program throughout 2019 was impacted due to:

- (f) availability of rigs and workover equipment;
- (g) lower level of working capital to allocate to the 2019 program due to well performance; and
- (h) tight time frames of available equipment and human resources to execute.

This has resulted in a reduced and delayed 2019 work program, lower than anticipated production and lower than anticipated revenues, cashflow and profitability (EBITDA).

Further, the Issuer has begun to feel the global effects of the COVID-19 (Novel Coronavirus) as it impacts the oil price and the Australian gas market.

Queensland currently has three Coal Seam Gas to Liquefied Natural Gas (“**CSG**” to “**LNG**”) plants located in Gladstone. This gas is exported to multiple locations, including China, South Korea and Japan.

As a result of COVID-19, international demand for LNG has decreased, in particular, a drop in importation by China. On 6 February 2020, the China National Offshore Oil Corporation (“**CNOOC**”) declared a force majeure on LNG imports, causing a fall in demand for LNG imports and resulting in a surplus of natural gas back into the Australian East Coast Domestic Gas Market (“**DomGas**”). As a result, LNG Net Back prices in the DomGas Market have fallen from \$6.29/GJ in January 2020, to a price of \$3.85/GJ in March 2020.

The Issuer currently has exposure to the DomGas market via its current gas contracts with Australia Pacific LNG (“**APLNG**”). The Issuer’s contract structure with APLNG requires the delivery of 5TJ/d on a take-or-pay “firm” basis and up to 5TJ/d on a flexible “as-available” basis. Due to the flexible contract with APLNG, the Issuer is exposed to the current lower LNG netback price in the DomGas Market, resulting in a net decrease in forecast revenue for 2020.

These factors will have a material effect on the Issuer’s ability to maintain the mandated financial ratios (as set out in each of Condition 5.1(a) (“Financial undertakings – Debt Service Cover Ratio”), Condition 5.1(b) (“Financial undertakings – Gearing Ratio”) and 5.1(c) (“Financial undertakings – Leverage Ratio”)) and provide uncertainty in the Issuer’s ability to meet them in the short and medium-term. Amendments are thereby sought to amend these financial covenants during the calendar years 2020 and 2021.

The average daily output has been below the forecast output due to the follow key factors:

- (a) Wells Myall Creek #4A (“**MC4A**”) and Myall Creek #5A (“**MC5A**”) were underperforming:
  - (i) MC5A was drilled and initially completed as a conventional gas well. Rather than producing gas and oil from April / May 2019, once perforated, produced water from the Basal Rewan formation (the intended conventional gas target of the well) and was

subsequently “shut in” pending further analysis of potential petroleum production zones.

- (ii) Intervention in the well bore to isolate the water bearing formation was completed and the well was fracture stimulated. Completion and flow back work was carried out on the well over part of November and December 2019, with the well being brought back on line in January 2020. Initial flow rates achieved were encouraging with an initial flow rate of 4.23MMscfd (4.43TJ/day), which has now stabilised on production at around 3.7 TJ/day (Gas and LPG) plus condensate production of around 120 bbls/day; and
  - (iii) MC4A continues to underperform and will be the subject of additional intervention work in the future to isolate water influx;
- (b) In August 2019, production and sales were impacted by an outage to the C101 compressor which resulted in reduced daily production rates as the LPG circuit of the Kincora Gas Plant was shut down for a period of 26 days. During this period, the Issuer was able to continue at a reduced production rate from the Newstead Gas Storage facility and select Kincora wells with dry gas. The Issuer was also able to successfully complete a significant amount of maintenance work which was originally planned to have been undertaken in the future. The Kincora plant returned to operation on 27 August 2019. The Issuer now has a backup compressor in place as a mitigant to this risk;
- (c) Well workovers and re-completions have been occurred slower than desired. The Issuer's original plan was to have completed a series of workover and re-completions mid-year but had to wait for a suitable rig, which arrived in November. Work is ongoing to increase both production of gas (and associated liquids) and oil; and
- (d) Delays in 2019 for the new wells being drilled. The Issuer's original plan was to drill x3 new wells from mid-year, but due to approval delays and the availability of suitably sized rigs this program was condensed to x2 wells, being Myall Creek North #1 (“**MCN1**”) and Horseshoe #4 (“**HS4**”). Both these well have been drilled and perforated and are now in the process of being cleaned up for connection to commercial production.

## **2020 work program**

The Issuer intends to undertake an active 2020 work program designed to add significant amounts of production for minimum cost, subject to the funds raised via the proposed entitlement issue and revenue from the underlying commodity prices. The 2020 work program is aimed at continuing progress on the Kincora Field through well development and interventions, including:

- (a) finalisation of the 2019 work program and the completion of wells MC5A, MCN1 and HS4;
- (b) the 2020 work program, which will seek to increase production from existing wells, including well enhancement programs including various workovers, a stimulation program of up to 4 wells;
- (c) 2 phases of well interventions which are targeted for implementation during the calendar year 2020;
- (d) following the completion of the well stimulations, undertaking a drilling program of up to 5 new wells in the latter part of calendar year 2020 and into calendar year 2021. The total number of wells and targets is still subject to an optimisation review and is subject to change based on the results of this review; and
- (e) Kincora Plant capital expenditure and engineering.

The Issuer expects that if the 2020 work program is successful, production will increase to approximately 15TJ/day by the end of calendar year 2020.

### C. The Uganda oil project

#### **Amendments to Condition 1.2 (“Definitions”), Condition 5.4 (“Limit on providing Financial Accommodation”) and Condition 5.6 (“Disposal”)**

The Issuer is seeking amendments to the Definitions and certain Conditions so as to allow the provision of certain Financial Accommodation to Armour Uganda and to permit the Ugandan Licence to be transferred to Armour Uganda or DGR Global.

If the Special Resolution is passed, the Issuer will be relieved of the specific prohibition on it:

- (a) giving Financial Accommodation to Armour Uganda by virtue of the Parent Company Guarantee (which will become effective following the transfer of the Ugandan Licence by the Issuer to Armour Uganda) of an amount of no more than US\$7,500,000. With the provision of the Deed of Guarantee and Indemnity, the Issuer’s net exposure should only be US\$1,261,500; and
- (b) disposing of the Ugandan Licence to Armour Uganda or DGR Global.

This summary must be read together with the Special Resolution and the following detailed information which explain the amendments to the Conditions relating to the Ugandan Licence and contains important information in respect of the risks associated with these amendments.

#### **Background**

On or about 8 September 2017, the Issuer and DGR Global (the “**parties**”) agreed in writing that, amongst other things:

- (a) once the Ugandan Licence had been granted, the Issuer will hold it on trust for DGR Global subject to the Issuer retaining a 16.82% interest. This means that DGR has a beneficial interest in the Ugandan Licence of 83.18%;
- (b) the Issuer will use its reasonable endeavours to procure the transfer of the Ugandan Licence to DGR Global or a nominated transferee. The parties agreed that the nominated transferee would be Armour Uganda. The parties’ intention is that following the transfer of the Ugandan Licence to Armour Uganda, 83.18% of the issued share capital of Armour Uganda will be held by DGR Global;
- (c) DGR Global would meet certain minimum expenditure commitments for the First Exploration Period and indemnify the Issuer in respect of the same; and
- (d) following DGR Global meeting its minimum expenditure commitments, further exploration or administration costs will be funded by DGR Global as to 83.18% and the Issuer as to 16.82%. The Issuer can however choose not to fund its share, and its interest in the project will be diluted accordingly.

#### **Ugandan Licence**

The Issuer was granted the Ugandan Licence for a period of two years commencing on 13 September 2017 (the “**First Exploration Period**”). On 13 June 2019 the Issuer applied for renewal of the Ugandan Licence. On 13 September 2019 the Ugandan Government announced that subject to the Issuer meeting four (4) conditions (the “**Renewal Conditions**”), the Ugandan Licence has been renewed for a further two (2) years (the “**Second Exploration Period**”). The Ugandan Licence cannot be renewed again.

Under the terms of the Ugandan Licence the Issuer must, amongst other things:

- (a) complete a Minimum Work Program defined in the PSA for each of the First Exploration Period and the Second Exploration Period; and

- (b) expend the Minimum Exploration Expenditure in each of the First Exploration Period and the Second Exploration Period, as stipulated in the PSA.

The Minimum Work Program for the First Exploration Period (a 2D seismic survey of the Kanywataba Block) was not completed by expiry of the First Exploration Period. One of the Renewal Conditions is that the Minimum Work Program for the First Exploration Period will be completed during the term of the Second Exploration Period, which the Issuer has agreed to. The total amount which must be spent in order to meet this outstanding commitment is approximately US\$1.5 million.

The PSA stipulates that for the Second Exploration Period:

- (a) the Minimum Work Program is the drilling of an exploration well and the undertaking of geological, geophysical and geochemical studies; and
- (b) the Minimum Exploration Expenditure is approximately US\$6.13 million.

The Issuer understands that:

- (a) as the Ugandan Licence has been stated to be renewed by the Ugandan Government and the Issuer is currently the licensee, the Issuer is liable for any amounts payable under the Ugandan Licence; and
- (b) if such obligations are not met and the Ugandan Licence is cancelled by the Ugandan Government, the Ugandan Government will be entitled to demand payment of:
  - (1) any shortfall in the Minimum Exploration Expenditure for the First Exploration Period carried over to the Second Exploration Period (being the amount of up to approximately US\$1 million); and
  - (2) the amount of the Minimum Exploration Expenditure for the Second Exploration Period (being the amount of approximately US\$6.13 million).

The aggregate of these two amounts plus costs associated with the Ugandan Licence, make up the Ugandan Conditional Contingent Licence Liability of up to US\$7.5 million.

### ***Impending transfer of the Ugandan Licence***

On 26 November 2018, the Issuer applied to transfer the Ugandan Licence to Armour Uganda. As a condition of the Ugandan Government's consent to that transfer, the Issuer was required to provide the Parent Company Guarantee, which it did on 11 January 2019.

The relevant Minister's consent to transfer the Licence was granted 10 October 2019. To date the Licence has not been issued in the name of Armour Uganda, and DGR Global holds no shares in Armour Uganda.

Once the Ugandan Licence has been transferred from the Issuer to Armour Uganda, the Issuer may at that point in time be providing Financial Accommodation of an amount of up to US\$7.5 million to Armour Uganda (as a result of the Parent Company Guarantee).

### ***Deed of Indemnity and Guarantee***

Given that DGR Global is the beneficial owner of 83.18% of the Ugandan Licence, on 18 December 2019 DGR Global provided the Deed of Indemnity and Guarantee to the Issuer.

Accordingly the Issuer believes that its *net* Financial Accommodation referred to above is only US\$1,261,500 (being 16.82% of the total Ugandan Conditional Contingent Licence Liability of up to US\$7.5 million).

The Deed of Indemnity and Guarantee will remain in force until to the earlier of:

- (a) the duration of the PSA and the Ugandan Licence;
- (b) the replacement of the Parent Company Guarantee. Following the transfer of the Ugandan Licence the parties will use their reasonable endeavours to cause the Parent Company Guarantee to be cancelled and replaced with two further shareholder guarantees. If they are successful in this endeavour, then the maximum liability of the Issuer will be only US\$1,261,500 (16.82% of the Ugandan Conditional Contingent Licence Liability). This will also be the amount of the Financial Accommodation provided by the Issuer to Armour Uganda; and
- (c) the transfer of the Licence to a party whose obligations under the Ugandan Licence are not guaranteed or otherwise secured by the Issuer.

#### **D. Early redemption of the Notes and unscheduled amortisation payments**

##### **Request for amendment to Condition 9.4 (“Early redemption at the option of the Issuer (Issuer Call)”) and new Conditions 5.6B (“Use of Disposal Net Proceeds”), 5.9A (“Use of Farm-In Payments”), 5.9B (“Unscheduled Amortisation Account”) and Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”)**

The Issuer is seeking amendments to the Condition 9.4 (“Early redemption at the option of the Issuer (Issuer Call)”) and Conditions 5.6B (“Use of Disposal Net Proceeds”), 5.9A (“Use of Farm-In Payments”), 5.9B (“Unscheduled Amortisation Account”) and Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”).

If the Special Resolution is passed, the Issuer will be entitled at any time before the First Optional Redemption Date to redeem some or all of the Notes (provided that the value of the Notes being redeemed is at least 10% of the Outstanding Principal Amount), in consideration of the payment of 103% of the Outstanding Principal Amount of each Note being redeemed (plus accrued but unpaid interest). Specifically it will enable the Issuer to use any further funds paid to it as a result of entering into farmin agreements (and thereby disposing of an interest in a tenement the subject of the farmin) as a Permitted Disposal (including in consideration for the transfer by the Issuer of other Farmin Interests to Santos, described below) to redeem further Notes.

Also, new Conditions 5.6B (“Use of Disposal Net Proceeds”), 5.9A (“Use of Farm-In Payments”), 5.9B (“Unscheduled Amortisation Account”) and Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”) will ensure that a mandatory percentage of proceeds received by the Issuer as a result of certain Disposals and Farm-In Payments will be used to make unscheduled amortisation payments in respect of the Notes.

#### **Background**

The Farmin Agreement also permits Santos to acquire additional Farmin Interests (in relation to 5 applications for tenements across Queensland and the Northern Territory).

Santos will pay the Issuer a further A\$3 million transfer payment (“**Farm-in Payment**”) in respect of each of the Issuer’s tenements currently under application, following satisfaction of the following conditions:

- (a) the relevant tenement being granted; and
- (b) Santos confirming to the Issuer in writing within 60 days of the Issuer’s notification of the grant, that the relevant permit conditions and key agreements (e.g. land access and Native Title agreements) are acceptable to Santos.

The total potential value associated with the Farm-in Payments is up to A\$15 million (i.e. A\$3m for each of the 5 granted applications).

#### **Disposals and Farm-In Payments**

If the Special Resolution is passed, upon certain Disposals occurring (refer Condition 5.6B (“Use of Disposal Net Proceeds”)) or Farm-In Payments being received (refer Condition 5.9A (“Use of Farm-In

Payments”) the Issuer must amortise a portion of the Notes by transferring a mandatory amount equal to:

- (a) at least 55% of any Farm-In Payment; and
- (b) at least 50% of the Net Proceeds of a Disposal pursuant to Conditions 5.6 (f)(i), 5.6(f)(ii), 5.6(g) and 5.6(h) (“Disposals”),

into a restricted bank account to be held on trust by the Note Trustee and used exclusively to make an unscheduled amortisation payment on the Notes on the next relevant Interest Payment Date.

The balance of the payment received pursuant to a Farm-In Payment are able to be retained and used by the Issuer for general corporate purposes. The balance of the Net Proceeds of certain Disposal must be retained and used by the Issuer as is permitted or required by Condition 5.6 (“Disposals”).

## **E. Addition of Joint Venture Security Interests and Financial Accommodation**

### **Amendment to Condition 5.2 (“Negative pledge”) and Condition 5.4 (“Limit on providing Financial Accommodation”)**

The Issuer is seeking an amendment to certain Conditions to permit the Obligor to be able to enter into Joint Venture Security Arrangements and create and grant Security Interests as both (a) Permitted Security Interests (provided that any such Security Interest will rank, at all times, subordinate and junior to the Security granted for the benefit of the Noteholders) and (b) Permitted Financial Accommodation up to an aggregate amount of A\$3,000,000 at any time (in respect of the South Nicholson Basin Farmin Permits and the Murrungama PLA).

## **Background**

As a result of entering into the Farmin Agreement, the Issuer must also enter into:

- (a) a joint operating agreement for Tenement ATP1087 (**JOA**); and
- (b) either a separate joint operating agreement (or variation of the JOA) for each of the Farmin Permits.

A requirement of the joint operating agreements with Santos, is for the Issuer to enter into a “deed of cross charge” with the relevant other party. A “deed of cross charge” is a form of Security Interest between the parties, whereby each Joint Venture Partner grants a Security Interest over its share in the Joint Venture in favour of its co-Joint Venture Partner(s) to secure the obligations of each party under the joint operating agreement.

Going forward, the Issuer expects that it or the other Obligor will enter into other joint ventures which will require similar Joint Venture Security Arrangements.

Typically, in the event of default by a party under a deed of cross charge, the Security Interest will crystallise and, in the event that the defaulting party remains in default, the other non-defaulting party can exercise its powers to enforce the Security Interest (i.e. sell the Issuer’s secured assets or its share of produced gas) and use and apply any moneys realised from the exercise of any such power or remedy.

In addition, the Issuer believes that by creating and granting Joint Venture Security Arrangements it is providing Financial Accommodation to the other Joint Venture Partner (by virtue of paragraph (c) of the definition of “Financial Accommodation” in Condition 1.2 (“Definitions”). Accordingly, the Issuer seeks to carve this Financial Accommodation out of the limits on providing Financial Accommodation imposed on the Issuer pursuant to Condition 5.4 (“Limit on providing Financial Accommodation”).

If the Special Resolution is passed, the Issuer will be able to enter into Joint Venture Security Arrangements and create and grant Security Interests as both (a) Permitted Security Interests (provided that any such Security Interest will rank, at all times, subordinated and junior to the Security granted for

the benefit of the Noteholders) and (b) Permitted Financial Accommodation up to an aggregate amount of A\$3,000,000 at any time (in respect of the South Nicholson Basin Farmin Permits and the Murrungama PLA).

The Issuer is seeking approval by the Noteholders of the proposed amendments described in “*Annexure A – Special Resolution*” of this Notice of Circulating Resolution of Noteholders and Explanatory Memorandum to amend the terms and conditions of the Existing Notes and to facilitate the plans described above.

**The Issuer asks that you vote in favour of the proposed amendments.**