



Prospectus

Armour Energy Limited ACN 141 198 414 (Company)

Entitlement Offer to Eligible Shareholders

An accelerated non-renounceable Entitlement Offer to Eligible Shareholders of 1 New Share for every 3 Shares held at an Offer Price of \$0.023 per New Share together with 1 free attaching New Option for every 2 New Shares issued to raise approximately \$4.5 million before costs of the Entitlement Offer.

Shareholders who apply for their full Entitlement will also be entitled to apply for additional New Shares (and New Options) to be allocated out of the Shortfall.

The Entitlement Offer is fully underwritten by Bizzell Capital Partners Pty Ltd.

Entitlement and Acceptance Forms for the Retail Entitlement Offer must be received by the Share Registry with your payment by no later than 5.00pm (AEST) on 15 July 2020.

This document is important and it should be read in its entirety. If you are in any doubt as to the contents of this document, you should consult your stockbroker, solicitor, banker, financial advisor or accountant as soon as possible. The securities offered under this Prospectus are considered to be speculative.

This is a transaction-specific prospectus issued in accordance with section 713 of the *Corporations Act 2001* (Cth).

Not for distribution in the United States of America or to U.S. persons.

Important information

Key Offer Statistics

Offer Price	\$0.023 per New Share
Entitlement Offer Ratio	1 New Share for every 3 Shares held by Eligible Shareholders as at the Record Date together with 1 free attaching New Option for every 2 New Shares issued.
Maximum number of New Shares to be issued under the Entitlement Offer ¹	196,867,318
Maximum amount to be raised under the Entitlement Offer ¹	\$4,527,948
Maximum number of Shares to be issued under the Placement ²	146,195,009
Number of Shares on issue following the Entitlement Offer ^{1, 2, 3}	933,664,281
Maximum number of New Options to be issued under the Entitlement Offer ¹	98,433,659
Number of Options on issue following the Entitlement Offer ^{1, 2, 3, 4, 5}	194,183,659

- 1) Assuming no Shares are issued as a result of the exercise of Existing Options prior to the Record Date.
- 2) Assuming that the all securities the subject of the Placement are issued in accordance with the terms of the Placement.
- 3) The Company intends to proceed with further issues of Shares following completion of the Entitlement Offer (including the Conditional Placement and subject to the completion of the CoEra Transaction, the issue of the CoEra Consideration) which will each be subject to shareholder approval. Further details are set out in sections 2.20, 4.2(a) and 7.5 of this Prospectus.
- 4) Additional Options will be issued to participants in the Placement (up to 73,097,504 Options) and the Conditional Placement, as well as up to 31,561,734 Options pursuant to the Underwriting Agreement and, subject to completion of the CoEra Transaction, 10,000,000 Options on the same terms as the New Options. The issue of each of these options will be subject to shareholder approval. Further details are set out in sections 2.20, 7.1 and 7.3 of this Prospectus
- 5) Includes 95,750,000 Existing Options currently on issue.

Key dates for investors

Institutional Entitlement Offer opens	15 June 2020
Institutional Entitlement Offer Closing Date	18 June 2020
Results of Institutional Entitlement Offer announced	Before market open 19 June 2020
Record Date for determining Retail Entitlements under the Retail Entitlement Offer:	7.00pm Sydney time on 19 June 2020
Prospectus despatched to Eligible Retail Shareholders and the Retail Entitlement Offer opens:	24 June 2020
Retail Entitlement Offer expected to close:	5.00pm AEST on 15 July 2020
Issue of New Shares pursuant to Retail Entitlement Offer	22 July 2020
Commencement of trading of New Shares issued under the Retail Entitlement Offer on ASX:	23 July 2020
Expected date of despatch of New Shareholding statements for New Shares issued under the Retail Entitlement Offer	24 July 2020

Further details regarding the timetable for the Entitlement Offer are set out in section 2.6. All dates are subject to change and accordingly are indicative only. In particular, the Company in consultation with the Underwriter has the right to vary the dates of the Entitlement Offer, without prior notice. Investors are encouraged to submit their Entitlement and Acceptance Forms as soon as possible after the Entitlement Offer opens.

Important notice

This Prospectus is dated 15 June 2020 and was lodged with the ASIC on the same date. Neither ASIC nor ASX takes any responsibility as to the contents of this Prospectus. No securities will be issued on the basis of this Prospectus any later than 13 months after the date of issue of this Prospectus.

This Prospectus contains an offer to Eligible Shareholders of continuously quoted securities (as defined in the *Corporations Act*) and options to acquire continuously quoted securities and has been prepared in accordance with section 713 of the *Corporations Act*. It does not contain the same level of disclosure as an initial public offering prospectus and is intended to be read in conjunction with the publicly available information in relation to the Company which is released on the ASX from time to time.

Foreign shareholders

This document does not constitute an offer of New Securities in any jurisdiction in which it would be unlawful. New Securities may not be offered or sold in any country outside Australia except to the extent permitted below.

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

The Company has not made any investigation as to the regulatory requirements that may prevail in the countries, outside of Australia, New Zealand, Singapore, Jersey and Hong Kong, in which the Company's Shareholders may reside. It is the responsibility of overseas Applicants to ensure compliance with all laws of any country relevant to their Acceptance. The Entitlement Offer may only be accepted by Eligible Shareholders and does not constitute an offer in any place in which or to any person to whom, it would be unlawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe those restrictions. Any failure to comply with restrictions might constitute a violation of applicable securities laws.

See section 2.17 for further information on Entitlement Offer restrictions with respect to shareholders who do not have registered addresses in Australia.

New Zealand

The New Securities are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand)*.

This document has been prepared in compliance with Australian law, and has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (New Zealand)*. This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an

investment statement or prospectus under New Zealand law is required to contain.

Hong Kong

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Entitlement Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the New Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Securities, may not be issued, circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA), or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Securities being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Jersey

No offer or invitation to subscribe for shares may be made (or is being made) to the public in Jersey.

Neither this Prospectus nor any other document relating to the Entitlement Offer has been delivered for approval to the Jersey Financial Services Commission or any other regulatory authority in Jersey. The Entitlement Offer for New Securities in Jersey is made only to Shareholders of the Company and this Prospectus may only be distributed in Jersey to shareholders of the Company. This document does not constitute a prospectus under Jersey law and is not required to, and may not, contain all the information that a prospectus under Jersey law is required to contain.

Nothing in this Prospectus or anything communicated to the holders or potential holders of any New Securities (or interests in them) by or on behalf of the Company is intended to constitute or should be construed as advice on the merits of the purchase of, or subscription for, any New Securities (or interests in them) or the exercise of any rights attached to the New Securities (or interests in them) for the purposes of the Financial Services (Jersey) Law 1998.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not

be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

How to accept Entitlement to New Securities

Entitlements to New Securities can be accepted by Eligible Institutional Shareholders in full or in part by following the instructions given to them by the Underwriter in separate documentation (**Institutional Offer Letter**) which will be accompanied by this Prospectus.

Entitlements to New Securities can be accepted by Eligible Retail Shareholders in full or in part by completing and returning the Entitlement and Acceptance Form which is accompanying this Prospectus or making payment of Application Money by BPAY® in accordance with the instructions set out in this Prospectus and on the Entitlement and Acceptance Form.

Enquiries

If you are an Eligible Retail Shareholder and have any questions in relation to the Entitlement Offer, please contact your stockbroker or professional adviser. If you have questions in relation to the Shares upon which your Entitlement has been calculated, or how to complete the Entitlement and Acceptance Form, take up your Entitlement, please call the Company on + 61 7 3303 0620.

Eligible Institutional Shareholders should direct their enquiries to the Underwriter at admin@bizzellcapital.com or on +61 7 3212 9200.

This Prospectus is available in electronic form on the internet at www.armourenergy.com.au. If you wish to obtain a free copy of this Prospectus, please contact the Company on + 61 7 3303 0620.

Deciding to accept the Entitlement Offer

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital or the payment of a return on the New Securities.

Please read this Prospectus carefully before you make a decision to invest. An investment in the Company has a number of specific risks which you should consider before making a decision to invest. Some of these risks are summarised in section 1.6 of this Prospectus and set out in more detail in section 6 of this Prospectus. This Prospectus is an important document and you should read it in full before deciding whether to invest pursuant to the Retail Entitlement Offer. You should also have regard to other publicly available information about the Company, including ASX announcements, which can be found at the Company's website: www.armourenergy.com.au.

Terms used

A number of terms and abbreviations used in this Prospectus have defined meanings, which are explained in the definitions and glossary in section 9.

Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated.

Forward looking statements

Some of the information contained in this Prospectus constitutes forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'should', 'will', 'expects', 'plans' or similar expressions. These statements discuss

future objectives or expectations concerning results of operations or financial conditions or provide other forward-looking information. The Company's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements. This Prospectus details some important factors that could cause the Company's actual results to differ from the forward-looking statements made in this Prospectus.

No representations

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer which is not contained in this Prospectus. Any information or representation in connection with the Retail Entitlement Offer not contained in this Prospectus may not be relied on as having been authorised by the Company or its officers. This Prospectus does not provide investment advice or advice on the taxation consequences of accepting the Retail Entitlement Offer. The Retail Entitlement Offer and the information in this Prospectus, do not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor.

Competent person statement

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

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Letter to Shareholders

15 June 2020

Dear Shareholders,

On behalf of the Directors, I am pleased to invite you, as a valued Shareholder of Armour Energy Limited (**AJQ** or **Company**), to participate in the Company's 1 New Share for every 3 Shares held, fully underwritten pro-rata accelerated non-renounceable entitlement offer of New Shares at an Offer Price of \$0.023 per New Share together with 1 free attaching New Option for every 2 New Shares issued (the **Entitlement Offer**).

The Shortfall under the Entitlement Offer is fully underwritten by Bizzell Capital Partners Pty Ltd, an entity associated with a Company Director, Mr Stephen Bizzell and partially sub-underwritten by the Sub-Underwriters (for more information see section 2.11 and 2.12), being DGR Global Limited (by way of firm commitment to subscribe for their Entitlement) (a current Shareholder with an interest of 19.05%) and Samuel Holdings Pty Ltd as trustee for the Samuel Discretionary Trust (an entity controlled by Company Director, Mr Nicholas Mather).

The Entitlement Offer comprises an accelerated institutional component to raise approximately \$1.33 million (**Institutional Entitlement Offer**), and a retail component to raise approximately \$3.20 million (**Retail Entitlement Offer**). The Institutional Entitlement Offer will be undertaken from 15 June 2020 and the results of which will be announced pre-market on 19 June 2020. This offer document (**Prospectus**) relates to the Institutional Entitlement Offer and the Retail Entitlement Offer.

The Entitlement Offer is to be undertaken in conjunction with a placement (**Placement**) to sophisticated and professional investors. The Placement is proposed to be within the Company's existing placement capacity concurrently with the New Shares the subject of the Institutional Entitlement Offer. The Placement will be for up to an additional 146,195,009 Shares at the Offer Price (**Placement Shares**). Additional proceeds of up to approximately \$3.36 million will be raised under the Placement. Subject to Shareholder approval, Placement Options will be issued with 1 free attaching New Option for every 2 New Shares issued (for more information see section 2.2).

It is proposed that the funds raised from the Entitlement Offer and Placement will be applied for the purposes of (i) progressing the Kincora Project area well intervention and stimulation work programs; (ii) payment of interest and scheduled amortisation payments in respect of the Notes for the quarters ending June, September and December 2020 and to otherwise ensure continued compliance with the financial covenants of the Notes; (iii) exploration expenditure; and (iv) general working capital and to meet the costs of the Placement and Entitlement Offer.

The Institutional Offer Letters will be provided to each Eligible Institutional Shareholder by the Underwriter (together with a copy of this Prospectus) and will set out that Eligible Institutional Shareholder's Entitlement along with instructions as to how that Entitlement can be accepted in full or in part.

For Eligible Retail Shareholders, a personalised Entitlement and Acceptance Form accompanies this Prospectus and sets out the number of New Shares (and attaching New Options) you are entitled to subscribe for (**Entitlement**). Entitlements to New Shares (and attaching New Options) can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which accompanies this Prospectus or making payment of Application Money by BPAY in accordance with the instructions set out in this Prospectus and on the Entitlement and Acceptance Form.

If you take up your full Entitlement, you can also apply for additional New Shares (**Additional New Shares**) and additional New Options (**Additional New Options**) under a Shortfall Facility (refer to section 3.4 of this Prospectus for more information) (the **Shortfall Facility**).

Subscription money for the New Shares must be received by the Company at its Share Registry by the Closing Date. Please refer to the timetable for the important dates of the Entitlement Offer. The Entitlement Offer is non-renounceable and therefore Entitlements will not be tradeable on the ASX or otherwise transferable. Investment in the Company involves risks, which are summarised in section 1.6 of this Prospectus and explained in further detail in section 6 of this Prospectus.

On behalf of the Directors, I thank you for your continued support and I invite you to consider this investment opportunity.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R. Sleeman', with a long horizontal flourish extending to the right.

Roland Sleeman
Director
Armour Energy Limited

1. Investment summary

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Prospectus.

1.1 The Entitlement Offer

The Entitlement Offer is for an accelerated non-renounceable entitlement offer of approximately 196,867,318 New Shares at an Offer Price of \$0.023 per New Share, on the basis of 1 New Share for every 3 Shares held by Eligible Shareholders as at the Record Date (together with 1 free attaching New Option for every 2 New Shares issued).

The Entitlement Offer has two components:

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

Both the Institutional Entitlement Offer and the Retail Entitlement Offer are non-renounceable. Accordingly, Entitlements cannot be traded on the ASX, nor can they be sold, transferred or otherwise disposed of. If you do not participate in the Entitlement Offer, you will not receive any value for your Entitlement.

The Entitlement Offer is fully underwritten by the Underwriter. Further details in relation to the underwriting appear in sections 2.11, 2.12, 2.13 and 7.1.

The Placement will also be undertaken by the Company at the same Offer Price and, subject to Shareholder approval, Placement Options will be issued on the same ratio and the same terms as the New Options. The Placement is proposed to be conducted in conjunction with the Institutional Entitlement Offer. Further details in relation to the Placement are set out in section 2.2 below.

The Company has Existing Options on issue, which could increase the number of New Shares to be issued if the holders of Existing Options exercise their Existing Options prior to the Record Date.

The Company will apply to ASX within 7 days of the date of this Prospectus for Official Quotation of the securities offered by this Prospectus to be granted on the ASX. Official Quotation of those New Shares issued under the Institutional Entitlement Offer is expected to occur on or about 23 June 2020 and New Options issued under the Institutional Offer as well as New Securities issued under the Retail Entitlement Offer on or about 23 July 2020.

The Directors, in consultation with the Underwriter, may at any time decide to withdraw this Prospectus and the offer of New Shares (together with the attaching New Options) made under this Prospectus, in which case the Company will return all applications moneys (without interest) within 28 days of giving notice of such withdrawal.

Eligible Shareholders should be aware that an investment in the Company involves risks. The key risks identified by the Company are summarised in section 1.6 and set out in section 6 of this Prospectus.

1.2 Institutional Entitlement Offer

The Company proposes to raise approximately \$1.33 million under the Institutional Entitlement Offer.

Eligible Institutional Shareholders may subscribe for all or part of their Entitlement. Eligible Institutional Shareholders who accept their Entitlement in full may also apply for Additional New Shares (together with the attaching New Options) from the Shortfall Facility. The Company reserves the right to allocate any Additional New Shares to Eligible Institutional Shareholders who wish to take up Additional New Shares at its sole

discretion. The Company will not allocate or issue any Additional New Shares where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law.

Shares issued under the Institutional Entitlement Offer will be issued at the same price and at the same ratio as those New Shares and New Options being offered under the Retail Entitlement Offer. The announcement of the results of the Institutional Entitlement Offer will be made on 19 June 2020 and the issue of New Shares and New Options under the Institutional Entitlement Offer (save for any Additional New Shares (together with the attaching New Options) from the Shortfall Facility) is expected to occur on 22 June 2020.

1.3 **Retail Entitlement Offer**

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders only. The Retail Entitlement Offer will raise approximately \$3.20 million.

Eligible Retail Shareholders who are on the Company register on the Record Date are entitled to acquire 1 New Share for every 3 Shares held on the Record Date (together with 1 free attaching New Option for every 2 New Shares issued) (**Entitlement**).

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

The Retail Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on the ASX, nor can they be transferred or otherwise disposed of. An Entitlement and Acceptance Form setting out your Entitlement accompanies this Prospectus.

Eligible Retail Shareholders may subscribe for all or part of their Entitlement. Eligible Retail Shareholders who accept their Entitlement in full may also apply for Additional New Shares from the Shortfall Facility. Eligible Retail Shareholders who do not take up all of their Entitlements will have their percentage shareholding in the Company diluted. Eligible Retail Shareholders who do take up their Entitlement will, as a result of the Placement, also have their percentage shareholding in the Company diluted, but to a lesser extent. See section 5.4 for further details.

There is no guarantee that Eligible Retail Shareholders who apply for Additional New Shares will receive the number of Additional New Shares and Additional New Options applied for, or indeed, any Additional New Shares and Additional New Options at all. The number of New Shares issued under the Shortfall Facility will not exceed the Shortfall following the Entitlement Offer. The Directors, in conjunction with the Underwriter, shall allot and issue Additional New Shares in accordance with the allocation policy for the Entitlement Shortfall set out in section 3.8.

The Company, in consultation with the Underwriter, may reject any Application for Additional New Shares or allocate fewer Additional New Shares than applied for by Eligible Retail Shareholders for Additional New Shares. The ability for the Company to issue Additional New Shares is dependent upon the extent of any Shortfall.

Eligible Retail Shareholders should be aware that an investment in the Company involves risks. The key risks identified by the Company are summarised in Section 1.6 and set out in section 6 of this Prospectus.

1.4 **Minimum subscription**

There is no minimum subscription in respect of the Entitlement Offer. The Entitlement Offer is fully underwritten. See section 7.1 for details of the Underwriting Agreement.

1.5 Purpose of the Entitlement Offer

The Entitlement Offer is proposed to raise approximately \$4,527,948 (before costs). Together with the Placement (of up to approximately \$3,362,485), the Company will raise up to approximately \$7,890,433 (before costs).

The Directors intend to apply the proceeds from the Entitlement Offer and the Placement, together with existing cash on hand and other anticipated revenue sources (see table below) for the purposes of:

- continued progress with the Kincora Area well intervention and stimulation work programs, which includes:
 - well interventions work identified which are targeted for implementation during the second-half of 2020 and first half of 2021; and
 - the 2020 work program, which will seek to increase production from existing wells, including well enhancement programs through various workovers and a stimulation program of at least 6 wells through the second half of 2020 and into 2021;
- exploration expenditure related to the Group's assets in the Northern Australia, Cooper Basin, Surat Basin, and Uganda;
- continued compliance under the Information Memorandum and the transaction documents for the Notes to the end of 2020, including:
 - payment of three scheduled amortisation amounts of \$1.1 million each payable 29 June, 29 September and 29 December;
 - payment of three interest payments of approximately \$1.0 million each payable 29 June, 29 September and 29 December; and
 - compliance with minimum cash balance requirements which must exceed \$2 million and is not to fall below \$4m for a period of more than 90 consecutive days;
- working capital including the payment of creditors; and
- the costs of the Entitlement Offer and Placement.

The estimated sources and intended use of funds to 31 December 2020 are summarised as follows:

Source of Funds	\$M	Use of Funds	\$M
Cash on Hand (as at 31 May 2020)	2.60	Kincora Area 2020 work program	4.24
Kincora operating revenues (less royalties)	11.15	Secured Amortising Note debt reduction, plus fees ³	8.45
Proceeds from the Entitlement Offer ¹	4.53	Kincora Plant capital expenditure and engineering	1.17
Proceeds from Placement ¹	3.36	Exploration expenditure	1.27
Proceeds from anticipated asset transactions ²	10.00	Kincora operating costs	6.08
		Corporate activities, including corporate development costs	2.91
		Costs of Placement and Entitlement Offer	0.53
		Funding costs (including x 3 interest payable quarters)	3.67
		Cash on hand for working capital ⁴	3.32
TOTAL	31.63	TOTAL	31.63

Notes:

- 1) Assumes that the Entitlement Offer and Placement are fully subscribed (but excludes any Conditional Placement funds). To the extent that less than the maximum amount is raised (and sufficient funds are not then raised under the Conditional Placement), the Company will adjust the use of funds accordingly and/or undertake further capital management or raising activities as required. If the full amount of the Placement and Conditional Placement is raised, the additional funds will be available as additional cash on hand for working capital.
- 2) Armour are in advanced discussions with parties to divest non-core assets & accelerate payments with regard to existing transactions. While there can be no guarantees, the Company expects to finalise these transactions in the near term. The Company will keep the market informed to progress of these transactions. Further details are set out in section 8.10. To the extent that such proceeds are not realised, the Company will adjust the use of funds accordingly and/or undertake further capital management or raising activities as required.
- 3) Assumes that Armour will repay amortisation amounts per agreed schedule & additional principal amounts (from asset transactions) within the parameters of the Secured Amortising notes transaction documents. Any additional principal amounts payable will depend on the amount of funds received by the Company from asset transactions. Accordingly, any reduction in the proceeds from anticipated asset transactions will also reduce this amount.
- 4) The remaining cash for working capital is intended to satisfy Armour's obligations with regard to minimum cash balance requirements under its \$52.25M Secured Amortising Notes Facility.

The above statement is a statement of current intentions as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. However, if circumstances change or other better opportunities arise the Directors reserve the right to vary the proposed uses to maximise the benefit to Shareholders.

1.6 Risk factors

Investing in the Company involves risk. There are factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of the Company, dependent on the policies adopted and approaches taken by regulatory authorities or cannot otherwise be mitigated. If you are unsure about subscribing for New Shares, you should first seek advice from your stockbroker, accountant, financial or other professional adviser.

The following sets out a summary of some of the key risks relevant to the Company. It should be considered a summary only and Shareholders should read the comprehensive risk factors (which contain a number of additional risks) contained in section 6 in full:

Risk	Details	Detailed Information
COVID-19 Impact Risk	<p>The global economic outlook is facing uncertainty due to the current COVID-19 (Novel Coronavirus) pandemic, which has been having, and is likely to continue to have, a significant impact on global capital markets, oil and gas prices and foreign exchange rates.</p> <p>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.</p> <p>The Company has exposure to the Australian East Coast Domestic Gas Market via its current gas contracts with Australia Pacific LNG (APLNG). The Company'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 Company is exposed to the current lower LNG netback price in the Australian East Coast Domestic Gas Market, resulting in a net decrease in forecast revenue for 2020.</p> <p>Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects.</p> <p>In addition, should any Company personnel or contractors be infected by COVID-19, it could result in the Company's operations being suspended or otherwise disrupted for an unknown period, which may have an adverse impact on the Company's operations as well as an adverse impact on the financial condition of the Company.</p>	Section 6.2(a)
Secured Amortising Notes Risk	<p>On 26 March 2020, the Company announced that Noteholders had approved the amendment to certain terms of the Conditions of the Notes.</p> <p>The Notes (as amended) require financial covenants to be satisfied on either an on-going basis or on specified dates (Financial Covenants). This requires the management of the Company to monitor and manage the operations, the financial performance and the funding and capital requirements of the Company to ensure that these Financial Covenants are satisfied.</p> <p>The raising of funds under the Entitlement Offer and Placement will, in part, be applied by the Company to meet current (June 2020) and short-term Financial Covenants (through to 31 December 2020) and for the payment of amortisation payments and interest payments due 29 June 2020. The application of those funds in the manner contemplated under Use of Funds in section 1.5 are for the purpose of supporting the future</p>	Section 6.2(c)

Risk	Details	Detailed Information
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financial performance of the Company and the satisfaction of the on-going Financial Covenants.

Even if the Company successfully raises the full amount of funds sought under the Entitlement Offer and Placement, there can be no assurance that default will not occur under the Financial Covenants at some time in the future.

In the event that the Company is unable to comply with the Conditions of the Notes (as amended) and a breach of the Conditions occurs and continues unremedied, then any Noteholder may require redemption of the Secured Amortising Notes held by that Noteholder, and the Note Trustee must (if requested to in writing by Noteholders holding in aggregate 25% or more of the Outstanding Principal Amount, (as defined)) require redemption of all the Secured Amortising Notes. In these circumstances the Secured Amortising Notes would become immediately due and payable. In total this would amount to \$52.25 million (assuming for example that all Secured Amortising Notes had become immediately due and payable). In addition, from the date of the breach until the date on which the breach is remedied the Conditions provide for default interest to be payable at a rate equal to the coupon rate plus 3% per annum. If the Company or the Guarantors (pursuant to the Guarantee given by certain of the Company's subsidiaries in respect of the Notes) could not repay the amount due and payable, then the Security Trustee could exercise its rights under the Security for the benefit of the Noteholders to enforce the Security. This may include appointing receivers to sell assets subject to the Security (and there can be no assurance that there will be at that time an active and liquid market for the assets the subject of the Security or that the market value of the assets will be equal to or greater than the outstanding amount owed in respect of the Notes), and may ultimately result in external administration for the Company. In such circumstances, as the Shareholders will rank behind the secured creditors and other creditors preferred at law in order of priority for payment, it is unlikely that Shareholders would receive any money and accordingly, would result in an entire loss of invested capital.

As noted above, the Company will monitor the on-going financial performance of the Company having regard to the management and satisfaction of on-going Financial Covenants and may, if required, adopt a course of action which seeks to prevent a breach of the Financial Covenants, including, without limitation, any one or a combination of the following actions (noting that some of the following actions are themselves regulated under the Conditions of the Notes):

- the disposal of assets of the Company;
- the entry into joint venture / farm-in arrangements with third parties; or
- the negotiation of further amended Conditions (including the Financial Covenants) with the holders of the Notes.

Risk	Details	Detailed Information
Current and future sources of funding	<p>The Company's ability to raise further funding to meet its operating, capital and debt expenditure requirements, depends upon several different factors.</p> <p>Given the existence of the Secured Amortising Notes (as senior secured debt), it may be unlikely that the Company is able to raise further debt financing. Meanwhile the Company's ability to raise further equity financing is very sensitive to negative market sentiment.</p> <p>As at the date of this Prospectus and as noted above, the global economic outlook may make it challenging for the Company to raise new equity capital in the near future. Of note from the perspective of the Company's ability to raise future capital (either equity or debt), is the uncertainty arising from the spread of the COVID-19 virus and the reaction of both governments and financial markets to what has been declared a pandemic by the World Health Organisation. Further the Company also notes that to the extent that the Company can raise further additional equity, that financing will dilute existing Shareholders.</p> <p>Accordingly, there is no guarantee that the Company will be able to secure additional funding on terms favourable to the Company. If the Company is unable to obtain additional financing as required, the considerations noted in the "Secured Amortising Notes Risk" will be applicable, it will be unable to continue to fund its existing projects or take advantage of opportunities as they arise. Further, without additional funding the Company may not have sufficient working capital to be able to meet day to day expenses as and when needed.</p>	
Uganda Risk	<p>The Company holds the Licence in Uganda. While the Company has received consent from the Minister to transfer the Licence to Armour Energy Uganda, to date the Licence has not been issued in the name of Armour Energy Uganda. Accordingly, while the Company remains the licensee in respect of the Licence, it is likely that any demand by the Government of the Republic of Uganda for the payment of amounts in respect of Licence (i.e. the Ugandan Conditional Contingent Licence Liability) would be made directly to the Company. In such circumstances, the Company would likely either have primary liability as the Licensee or ancillary liability as a potential guarantor. It is also likely that even when the Licence is transferred to Armour Energy Uganda, that as a result of the Parent Company Guarantee, that such a demand for payment would still be made directly to the Company. Where the demand by the Government of the Republic of Uganda for a payment was held by a court of competent jurisdiction to be valid, the Company would be liable for the relevant amount and would need to look to DGR Global pursuant to the terms of the Deed of Indemnity and Guarantee to pay its 83.18% share of the relevant liability.</p> <p>Accordingly, there exists counterparty risk in respect of the Deed of Indemnity and Guarantee. Should a dispute arise between the Company and DGR Global as to the relevant liability or the Deed of Indemnity and Guarantee, this could place the Company in the position of having 100% exposure to the relevant liability, being required solely to pay the relevant amount to the Government of the Republic of Uganda and having to</p>	<p>Section 6.2(b) and 7.3</p>

Risk	Details	Detailed Information
	<p>pursue DGR Global (a major shareholder in the Company) for its contribution pursuant to the Deed of Indemnity and Guarantee.</p> <p>A similar counterparty risk exists in respect of DGR Global funding at least its proportionate share (83.18%) of the Second Exploration Period Minimum Work Program.</p> <p>As noted below in section 7.3, the Company is currently in negotiations with the Ugandan Government as regards the Ugandan Licence Performance Guarantee and the Relinquishment. While the Company is of the view that neither the Ugandan Licence, the PSA, nor the Petroleum Act mandate that a Ugandan Licence Performance Guarantee is required for the remainder of this term of the Ugandan Licence, should the Company not be successful in such negotiations and a Ugandan Licence Performance Guarantee ultimately be required in this amount, then the Company would likely be required to provide its proportionate share of the relevant amount (16.82%), and again, a similar counterparty risk exists in respect of DGR Global funding its proportionate share of the relevant amount (83.18%).</p> <p>In this regard, the Company and the Ugandan Government are negotiating the amount of such a performance guarantee should one be required. The Ugandan Government initially stated that it would require the Ugandan Licence Performance Guarantee to be in the amount of US\$990,000. The Company has not agreed to this amount but has offered US\$200,000. As at the date of this Prospectus, the Company has not received a response from the Minister on the offer.</p> <p>The Company has written to the Minister invoking the <i>force majeure</i> provisions under both the Act and the PSA in respect of its obligations under the PSA generally, and in respect of the 2D Seismic Survey in particular.</p>	
Santos Farmin Risk	<p>While Santos QNT Pty Ltd (Santos) has paid the Company the initial \$15 million pursuant to the Farmin Agreement (the Initial Payment), there is no guarantee that the conditions precedent to the payment of subsequent amounts (up to a further \$15 million) will be satisfied. In addition, if the transfer of the 70% interest in ATP 1087 to Santos is not approved by the relevant government agency, then the Company must refund the Initial Payment to Santos as soon as possible and do all things reasonably necessary to assist Santos to recover the amount of any transfer or stamp duty paid by Santos in respect of the transfer.</p>	Section 6.2(d)
CoEra Transaction Risk	<p>There can be no guarantee that the acquisition of CoEra from Oilex will ultimately proceed or proceed on the terms currently announced. As noted in section 7.5, the share sale agreement is conditional upon a number of conditions precedent that will also need to be satisfied in due course.</p> <p>While the Company believes that CoEra's assets are prospective, there can be no assurances that the Company's exploration programs relating to such assets, will result in the discovery of a significant gas and/ or</p>	Section 4.2(a) and 6.2(e)

Risk	Details	Detailed Information
	<p>associated liquids target, and even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.</p> <p>The share consideration proposed to be issued to Oilex constitutes a minimum of 24.5 million shares and a maximum of 34.5 million shares which will have a dilutive effect on Shareholders. The consideration also includes a \$125,000 payment. In addition, should the CoEra Transaction complete, the Company will in due course also be required to fund required expenditure and replace the relevant environmental bonds.</p>	
Institutional Entitlement Offer Option Risk	<p>The New Options will constitute a new class of listed securities and accordingly are required to meet the requirements for quotation contained in the ASX Listing Rules. Relevantly, the ASX Listing Rules require in the case of quotation for additional securities which convert to Shares, that there to be a sufficient number of securities and holders of such securities (at least 100,000 securities and 50 holders with a Marketable Parcel excluding restricted securities). At the point of issue of the New Options the subject of the Institutional Entitlement Offer it is unlikely that there will be a sufficient number of holders by number and accordingly, it is likely that quotation will not be granted of such Institutional New Options until the settlement of the New Options the subject of the Retail Offer.</p>	Section 1.17 and 6.2(x)
Kincora Project Reliance Risk	<p>The Company's key operating asset is the Kincora Project which restarted production in December 2017. The Company derives significant operating revenues from the Kincora Project.</p> <p>The Company's operations at the Kincora Project may from time to time be hampered on occasions by unforeseen operating risks. Should an event occur which forced the closure of, or otherwise disrupted or interrupted, the Kincora Gas Plant for a material period of time, it would likely have a significant impact on the Company's commercial contracts and the operating revenue and ultimate funds available to the Company.</p> <p>In particular, events such as force majeure events, power outages, critical equipment or pipe failures, and environmental hazards such as noise, odours, gas leaks, hazardous substances spills, other weather events, industrial accidents and other accidents, unforeseen cost changes and other incidents beyond the control of the Company could negatively impact on the Company's activities at the Kincora Project, thereby affecting its profitability and ultimately, the value of its securities.</p> <p>The Company maintains insurance within ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted at the Kincora Gas Plant. No assurance, however, can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.</p>	Section 6.2(y)

Further details regarding risks which may affect the Company in the future are set out in section 6. The New Securities offered under this Prospectus carry no guarantee of profitability, dividends, return of capital or the

price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to its future performance.

1.7 New Share and New Option terms

Upon issue, each New Share will rank equally with all existing Shares then on issue. A summary of the rights attaching to the New Shares is set out in section 8.3. A summary of the rights attaching to the New Options is set out in section 8.4 and the terms are contained in Schedule 1.

1.8 Acceptance of Entitlement to New Shares and New Options

The number of New Shares and New Options to which an Eligible Shareholder is entitled and the total amount an Eligible Shareholder would have to pay if they choose to take up all of their rights to subscribe for New Shares is shown on the Entitlement and Acceptance Form accompanying this Prospectus for Eligible Retail Shareholders and in the case Eligible Institutional Shareholders on the Institutional Offer Letter. Fractional Entitlements for New Shares (and attaching New Options) will be rounded down to the nearest whole number.

Entitlements to New Shares and New Options can be accepted in full or in part by Eligible Retail Shareholders completing and returning the Entitlement and Acceptance Form which accompanies this Prospectus or making payment of Application Money by BPAY in accordance with the instructions set out below and on the Entitlement and Acceptance Form. Application Money should be rounded up to the nearest cent.

Application Monies for the New Shares and New Options must be received by the Company at its Share Registry by the respective Closing Date. Please refer to the timetable for the important dates of the Entitlement Offer for further information.

The number of New Shares and New Options that each Eligible Institutional Shareholder is entitled to, the total amount payable if that Entitlement is accepted in full, and the means by which that Entitlement can be accepted and paid for, is set out in the Institutional Offer Letter provided to that Eligible Institutional Shareholder by the Underwriter, which will be accompanied by this Prospectus.

1.9 Directors intentions in respect of Entitlements

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

1.10 Lead Manager

Bizzell Capital Partners Pty Ltd (**BCP** or the **Underwriter**), an entity associated with Mr Stephen Bizzell, a Non-Executive Director of Armour, have been appointed as the Lead Manager to the Placement, the Entitlement Offer and the Conditional Placement. The appointment is a joint appointment with JB Advisory in respect of the Placement and Conditional Placement. Further details of the terms of appointment of the Lead Managers are set out in section 7.

The Company has agreed to pay the Underwriter the fees as set out in the Engagement Letter and the Underwriting Agreement and JB Advisory the fees set out in the JB Advisory Mandate, and these fees are summarised in sections 2.11 and 7.1 and 7.3 respectively.

1.11 Underwriting

The Entitlement Offer is fully underwritten by the Underwriter. Further details regarding the appointment of the Underwriter is set out in sections 2.11 and 7.1.

1.12 Sub-Underwriting

The Entitlement Offer is also partially sub-underwritten by the Sub-Underwriters. Further details regarding the appointment of the Sub-Underwriters are set out in section 2.12.

1.13 Potential effects of Underwriting on Control

BCP and its Associates currently have a Relevant Interest in 1,659,051 Shares, representing approximately (0.28%) of the voting power in the Company, with an Entitlement to 553,017 New Shares under the Entitlement Offer.

If, at completion of the Entitlement Offer, the Underwriter is required to subscribe for the entire underwritten amount it is possible that the Underwriter and its Associates would hold 21.26% of the voting power in the Company if the Placement was fully subscribed, or 25.21% of the voting power in the Company if no Placement Shares were issued. This assumes that no Existing Options are exercised.

However, Samuel Capital has agreed to sub-underwrite 60,933,755 New Shares under the Entitlement Offer and DGR Global has agreed to sub-underwrite by way of a firm commitment to subscribe for its Entitlement, 37,499,904 New Shares under the Entitlement Offer. As a result, even in circumstances where no other Shareholder other than DGR Global, the Underwriter and its Associates and Samuel and its Associates subscribe for their Entitlements and no Shares are issued pursuant to the Placement, the Underwriter and its Associates' voting power would represent approximately 12.71% even if it was required to take up all of the remaining Shortfall pursuant to the Underwriting Agreement.

If Samuel Capital is required under its sub-underwriting agreement to subscribe for all of its sub-underwritten New Shares, (assuming no other Shareholders participate in the Entitlement Offer other than the Underwriter and its Associates and DGR Global and the Placement is fully subscribed, the voting power of Samuel would be approximately 6.92%. If there were no Shares issued pursuant to the Placement, the voting power of Samuel in the Company would increase to approximately 8.20%.

DGR Global has agreed with the Underwriter to subscribe for its Entitlement of 37,499,904 New Shares under the Entitlement Offer (either through the Institutional Entitlement Offer, Retail Entitlement Offer or a combination of both having regard to regulatory requirements). Given that the Entitlement Offer is fully underwritten and assuming that the Placement is fully subscribed, DGR Global's voting power after the Entitlement Offer and the Placement will reduce from 19.05% to 16.07%. DGR Global has indicated its intention to participate in the Conditional Placement in order to retain voting power of 19% following completion of the Entitlement Offer, the Placement and the Conditional Placement. DGR Global's participation in the Conditional Placement will be subject to shareholder approval.

For further information regarding the effect of the Underwriting on control of the Company, see section 2.14.

1.14 Other effects of the Entitlement Offer on control

As the Entitlement Offer is a fully underwritten pro-rata offer, Shareholders who do not take up all of their Entitlements will have their interest in the Company diluted. Given the terms of the Entitlement Offer and the Placement, the maximum possible dilution to an Eligible Shareholder's interest in the Company (assuming the Placement is fully subscribed) would be 12% of its holding.

In addition, the proportional shareholdings of Shareholders who are not resident in Australia, New Zealand, Singapore, Jersey and Hong Kong will be diluted as those Shareholders are not entitled to participate in the Entitlement Offer. The maximum possible dilution to those Ineligible Shareholders' interest in the Company (assuming the Placement is fully subscribed) would be 37%.

Accordingly, Eligible Shareholders can reduce the extent of the dilution of their voting power in the Company by accepting their Entitlement in full and by applying for Additional New Shares under the Entitlement Shortfall Facility.

The Company's largest Shareholder, DGR Global, currently holds voting power in respect of the company of 19.05%. If DGR Global were to only subscribe for its entitlement under the Entitlement Offer, its voting power would decrease as a result of the Placement (assuming the Placement is fully subscribed). As a Sub-Underwriter, DGR Global has agreed with the Underwriter to subscribe for its Entitlement (either through the Institutional Entitlement Offer, Retail Entitlement Offer or a combination of both having regard to regulatory requirements) and may, subject to shareholder approval, participate in the Conditional Placement to maintain voting power of at least 19% in the Company. For further information see section 2.14.

1.15 Applying for Additional New Shares and Additional New Options

Entitlements not taken up under the Entitlement Offer may become available as Additional New Shares and Additional New Options and will form part of the Shortfall.

Eligible Shareholders may, in addition to applying for their full Entitlements, apply for Additional New Shares and attaching Additional New Options over and above their Entitlement at the Offer Price, to be issued from any Shortfall (at the Company's discretion). Directors of the Company (and any other related parties of the Company) are not permitted to apply for Additional New Shares and attaching Additional New Options but may take up their Entitlement, if any, and/or participate as an Underwriter / Sub-Underwriter as disclosed in this Prospectus.

It is an express term of the Entitlement Offer that applicants for Additional New Shares and attaching Additional New Options will be bound to accept a lesser number of Additional New Shares and attaching Additional New Options allocated to them than applied for. If a lesser number is allocated to them, excess Application Money will be refunded without interest. There is no guarantee that such Eligible Shareholders will receive the number of Additional New Shares and attaching Additional New Options applied for, or indeed, any Additional New Shares or attaching Additional New Options at all. The number of New Shares issued under the Shortfall Facility will not exceed the Shortfall. The Company reserves the right to scale back any applications for Additional New Shares in their absolute discretion.

The ability for the Company to issue Additional New Shares and attaching Additional New Options is dependent upon the extent of any Shortfall. Applications for Additional New Shares and attaching Additional New Options must be made by Eligible Retail Shareholders in the Additional New Shares section on the Entitlement and Acceptance Form accompanying this Prospectus. Eligible Institutional Shareholders may apply for Additional New Shares and attaching Additional New Options in accordance with the instructions set out in the Institutional Offer Letters.

In allocating any New Shares under the Shortfall Facility, the Directors will do so in a manner which will ensure that no Shareholder as a consequence of taking up their Entitlement or being placed with any Additional New Shares, hold a Relevant Interest in more than 19.9% of all of the Shares in the Company after the issue of the New Shares (except as may be contemplated by the Underwriting Agreement).

As the Entitlement Offer is fully underwritten, the Directors, in conjunction with the Underwriter, shall allot and issue Additional New Shares and attaching Additional New Options in accordance with the allocation policy for the Entitlement Shortfall set out in section 3.8.

In the event that there remains a Shortfall following the issuance of the Additional New Shares, the Company and the Directors reserve the right (as contemplated within the ASX Listing Rules), to allocate any of that Shortfall in their absolute discretion (after consultation with the Underwriter). Eligible Shareholders should be aware that to the extent that they do not accept their Entitlements in full a Shortfall will arise, and all or part of that Shortfall may be placed by the Company (in consultation with the Underwriter) to third parties, in which case the interest of relevant Eligible Shareholders in the Company may be diluted. Any Shortfall to third parties will be issued within three months after the Closing Date at an issue price being not less than the Offer Price.

1.16 Allotment and allocation policy

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

Allocation of New Shares and New Options applied for under the Shortfall Facility will be allocated and allotted in accordance with the allocation policy set out in section 3.8. Successful Applicants will be notified in writing of the number of New Shares and New Options allocated to them as soon as possible following the allocation being made.

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

1.17 ASX listing

The Company's Shares are currently admitted to quotation and the Company will apply to the ASX within 7 days of the date of this Prospectus for the New Shares to be issued pursuant to this Prospectus to be listed for Official Quotation by the ASX. If granted, official quotation of the New Shares will commence as soon as practicable after allotment of the New Shares to Applicants. It is the responsibility of the Applicants to determine their allocation of New Shares prior to trading.

The Company does not currently have a class of listed Options admitted to quotation. Accordingly, the Company has applied, or will apply within 7 days after the date of this Prospectus, for admission to quotation of the New Options the subject of the Entitlement Offer. The New Options to be issued under the Institutional Entitlement Offer are not likely to be admitted for quotation until the New Options under the Retail Entitlement Offer are issued.

1.18 CHESS

The Company will apply for the New Shares to participate in CHESS, in accordance with the ASX Listing Rules and ASX Settlement Operating Rules. The Company will not issue certificates to Shareholders with respect to the New Shares. After allotment of the New Shares, participating Shareholders will receive a transaction confirmation statement. In respect of any New Options, Eligible Shareholders will receive an issuer sponsored holding statement from the Share Registry setting out the number of New Options issued to them.

1.19 Option Holders

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

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

1.20 Secured Amortising Notes

Noteholders will not be entitled to participate in the Retail Entitlement Offer.

1.21 Overseas Shareholders

The Entitlement Offer will only be made to those shareholders with registered addresses in Australia, New Zealand, Singapore, Jersey and Hong Kong, being jurisdictions in which the Company has sought advice or

is otherwise satisfied that it may make the Entitlement Offer without breach of the relevant jurisdictions law and regulations.

The Company has not made investigations as to the regulatory requirements that may prevail in relation to the Entitlement Offer in the countries outside of Australia, New Zealand, Singapore, Jersey and Hong Kong, in which the Company's Shareholders reside. Refer to sections 2.17 to 2.19 for further information.

1.22 **Electronic Prospectus**

An electronic version of this Prospectus is available on the Company's website at www.armourenergy.com.au.

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

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

2. Details of the Entitlement Offer

2.1 Entitlement Offer to Eligible Shareholders

The Entitlement Offer is for an accelerated non-renounceable entitlement offer of approximately 196,867,318 New Shares at an Offer Price of \$0.023 per New Share, on the basis of 1 New Share for every 3 Shares held by Eligible Retail Shareholders as at the Record Date (together with 1 free attaching New Option for every 2 New Shares issued).

The Entitlement Offer has two components:

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

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

The Company has 95,750,000 Existing Options currently on issue, and the Entitlement Offer would be increased by a total of 31,916,666 New Shares (and 15,958,333 attaching New Options) if holders of Existing Options exercise their Existing Options prior to the Record Date.

The Company will apply to the ASX within 7 days of the date of this Prospectus for the New Shares to be granted Official Quotation on the ASX. Official Quotation of:

- (a) the New Shares under the Institutional Entitlement Offer is expected to occur on or about 23 June 2020; and
- (b) the New Shares under the Retail Entitlement Offer is expected to occur on or about 23 July 2020.

The Company does not currently have a class of listed Options admitted to quotation. Accordingly, the Company has applied, or will apply within 7 days after the date of this Prospectus, for admission to quotation of the New Options the subject of the Entitlement Offer. Official Quotation of the New Options to be issued under the Institutional Entitlement Offer and the Retail Entitlement Offer is expected to occur on or about 23 July 2020.

2.2 Placement

The Placement will also be undertaken by the Company at the same Offer Price to raise up to approximately \$3,362,485 (before costs). The Company proposes to conduct the Placement under the Company's existing placement capacity which will settle contemporaneously with the Institutional Entitlement Offer.

The Placement does not form part of the Entitlement Offer (but will impact on the capital structure and use of funds) and participants in the Placement will not be entitled to participate in the Entitlement Offer in respect of their Placement Securities.

The Placement will involve the issue of up to 146,195,009 Placement Shares and 73,097,504 Placement Options. The issue of the Placement Options is subject to shareholder approval.

2.3 Institutional Entitlement Offer

The Company proposes to raise approximately \$1.33 million under the Institutional Entitlement Offer.

New Shares issued under the Institutional Entitlement Offer will be issued at the same price and at the same ratio as those being offered under the Retail Entitlement Offer. The announcement of the results of the Institutional Entitlement Offer will be made on 19 June 2020 and the issue of New Shares (and attaching New Options) under the Institutional Entitlement Offer is expected to occur on 22 June 2020.

2.4 Retail Entitlement Offer

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders only. The Retail Entitlement Offer will raise approximately \$3.20 million.

Eligible Retail Shareholders who are on the Company register on the Record Date are entitled to acquire 1 New Share for every 3 Shares held by the Eligible Retail Shareholder as at the Record Date (together with 1 free attaching New Option for every 2 New Shares issued).

Fractional Entitlements will be rounded down to the nearest whole number of New Shares and New Options. The Retail Entitlement Offer is non-renounceable. Accordingly, Retail Entitlements do not trade on the ASX, nor can they be transferred or otherwise disposed of. The Entitlement Offer is fully underwritten.

An Entitlement and Acceptance Form setting out your Entitlement accompanies this Prospectus. Eligible Retail Shareholders may subscribe for all or part of their Retail Entitlement. Eligible Retail Shareholders who subscribe for all of their Retail Entitlement can apply for Additional New Shares (with attaching Additional New Options) – refer to section 3.8.

Eligible Retail Shareholders should be aware that an investment in the Company involves risks. The key risks identified by the Company are summarised in Section 1.6 and set out in section 6 of this Prospectus.

2.5 Minimum subscription

There is no minimum subscription. The Entitlement Offer is fully underwritten. See section 7.1 for details of the Underwriting Agreement.

2.6 Important dates

Announcement of Entitlement Offer Lodgement of Appendix 3B, Lodgement of Prospectus with ASIC and ASX	Before noon 15 June 2020
Institutional Entitlement Offer opens	15 June 2020
Institutional Entitlement Offer Closing Date	18 June 2020 5.00pm (AEST)
Announcement of results of the Institutional Entitlement Offer	Before market open 19 June 2020
Trading halt lifted and Existing Shares commence trading on an ex rights basis	19 June 2020
Record Date for the Retail Entitlement Offer	19 June 2020 (7.00pm AEST)
Issue of New Securities under the Institutional Entitlement Offer and Placement	22 June 2020

Prospectus and Entitlement and Acceptance Form despatched to Shareholders	24 June 2020
Opening Date of Retail Entitlement Offer (9am AEST)	24 June 2020
Last day to extend Retail Entitlement Offer close date	10 July 2020
Closing Date of Retail Entitlement Offer	15 July 2020 (5.00pm AEST)
Announcement of results of the Retail Entitlement Offer	20 July 2020
Issue of New Shares pursuant to Retail Entitlement Offer	22 July 2020
New Shares under Retail Entitlement Offer commence trading on ASX on a normal basis	23 July 2020
Expected date of despatch of holding statements for New Securities	24 July 2020

The dates set out in this table are subject to change and are indicative only. The Company, in consultation with the Underwriter, reserves the right to alter this timetable at any time.

The Directors in consultation with the Underwriter, subject to the requirements of the Listing Rules and the *Corporations Act*, reserve the right to:

- (a) withdraw the Entitlement Offer without prior notice; or
- (b) vary any of the important dates set out in this Prospectus, including extending the Entitlement Offer.

2.7 Allotment and allocation policy

The Company will proceed to allocate New Securities under:

- (a) the Institutional Entitlement Offer on or about 22 June 2020; and
- (b) the Retail Entitlement Offer as soon as possible after the Closing Date and receiving ASX permission for Official Quotation of the New Shares and the New Options.

In the case that there is less than full subscription by Shareholders of their Entitlements under this Prospectus, the Directors, will allocate the Entitlement Shortfall between Eligible Shareholders who apply for Additional New Shares and Additional New Options and the Underwriter in accordance with the allocation policy in section 3.8.

Successful Applicants will be notified in writing of the number of New Shares and New Options allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Shares and New Options allocated to them prior to trading in New Shares or New Options. Applicants who sell New Shares or New Options before they receive notice of the number of New Shares or New Options allocated to them do so at their own risk. No New Securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

2.8 **ASX listing**

The Company will apply to the ASX within 7 days of the date of this Prospectus for the New Shares to be issued pursuant to this Prospectus to be listed for Official Quotation by the ASX. If granted, quotation of the New Shares will commence as soon as practicable after allotment of the New Shares to Applicants and is expected to occur on the date for the commencement of trading of New Shares on the ASX as set out above in section 2.6. It is the responsibility of the Applicants to determine their allocation of New Shares prior to trading.

Additionally, within seven days of the date of this Prospectus, the Company will apply to the ASX for the admission to Official Quotation of a new class of securities, being the New Options.

If the New Options are approved for admission to quotation, Official Quotation of the New Options issued under the Entitlement Offer (including the Institutional Entitlement Offer) will commence as soon as practicable after the allotment of the New Options issued under the Retail Entitlement Offer.

Should the New Securities offered under the Entitlement Offer not be granted Official Quotation on the ASX within three months after the date of this Prospectus, none of those New Securities offered to Eligible Retail Shareholders under this Prospectus will be issued and all Application Money paid in respect of those New Securities (if any) will be refunded without interest to Applicants within the time prescribed by the Corporations Act.

2.9 **CHESS**

The Company will apply to ASX Settlement for the New Shares to participate in the Securities Clearing House Electronic Subregister System known as CHESS.

The Company will not issue certificates to Shareholders with respect to the New Shares. After allotment of the New Shares, those who are issuer sponsored holders will receive an issuer sponsored statement and those who are CHESS holders will receive an allotment advice.

The CHESS statements, which are similar in style to bank account statements, will set out the number of New Shares allotted to each successful applicant pursuant to this Prospectus. The statement will also advise holders of their holder identification number. Further statements will be provided to holders which reflect any changes in their holding in the Company during a particular month.

In respect of any New Options, Eligible Shareholders will receive an issuer sponsored holding statement from the Share Registry setting out the number of New Options issued to them.

2.10 **No rights trading**

Entitlements to New Shares pursuant to the Entitlement Offer are non-renounceable and accordingly will not be traded on the ASX.

2.11 **Underwriting**

The Shortfall under the Entitlement Offer is fully underwritten by the Underwriter, an entity associated with Mr Stephen Bizzell, a Non-Executive Director of Armour and so a 'related party' of Armour under the Corporations Act.

Both the Engagement Letter and the Underwriting Agreement have been negotiated on an arm's length basis. Together they contain standard commercial terms and conditions for a Lead Manager's responsibility and firm underwriting agreement for a capital raising of this size and type. Together the Engagement Letter and the Underwriting Agreement also contains customary covenants, indemnities and representations and

warranties by the Company and terminating events which if they occur, will relieve the Underwriter of its underwriting obligations. The termination events are outlined in further detail in section 7.1.

Under the terms of the Engagement Letter and the Underwriting Agreement, the Company will pay the Underwriter the following fees:

- (a) **Management Fee:** 1% of the total amount raised by the Company under the Entitlement Offer and under the Placement, as well as any funds raised under the Conditional Placement;
- (b) **Underwriting Fee:** 5% of the value of all Shares underwritten and issued under the Entitlement Offer;
- (c) **Placement Fee:** 5% of the value of all new Shares issued pursuant to the Placement and any funds raised under the Conditional Placement; and
- (d) **Option Fee:** The Company must issue to the Underwriter (or its nominee) the Underwriter Options representing 4 Options for every \$1 of the Underwritten Amount and the amount raised pursuant to the Placement, as well as any funds raised under the Conditional Placement, subject to Shareholder approval.

In addition, the Underwriter is entitled to be reimbursed for its legal costs (capped at \$10,000) and other reasonable expenses incurred in connection with Entitlement Offer.

The Underwriter also agrees that for amounts sub-underwritten in respect of the Entitlement Offer or subscribed for in the Conditional Placement by either DGR Global or Samuel, it will pay to the relevant party, the full relevant Underwriting Fee and Option Fee. The Underwriter also agrees that for amounts subscribed by clients of JB Advisory in the Placement or Conditional Placement it will pay (or direct the Company to pay) to JB Advisory the full relevant Management Fee, Placement Fee and Option Fee in relation to such amounts. At the direction of the Underwriter, the Company will issue the relevant Underwriter Options to DGR Global, Samuel or JB Advisory as the case may be, in each case subject to Shareholder approval.

The Underwriter may appoint additional sub-underwriters and is responsible for any fees that it may have to pay out to them.

The Entitlement Offer is also partially sub-underwritten by the Sub-Underwriters. Further details regarding the appointment of the Sub-Underwriters are set out in section 7.2.

2.12 Sub-Underwriting

The Entitlement Offer is expected to be sub-underwritten and as at the date of this Prospectus, the Underwriter has entered into sub-underwriting agreements (**Sub-Underwriting Agreements**) with each of Samuel Holdings Pty Ltd as trustee for the Samuel Discretionary Trust (an entity controlled by Mr Nicholas Mather) (**Samuel**) and DGR Global (by way of firm commitment to subscribe for its Entitlement).

The Underwriter also currently intends to seek to appoint additional unrelated sub-underwriters. As noted above, the Underwriting Agreement permits the Underwriter to appoint additional sub-underwriters provided that the Underwriter is responsible for any fees that it may have to pay out to them.

The key terms of the Sub-Underwriting Agreement with Samuel are:

- (a) as a sub-underwriter, Samuel has agreed to sub-underwrite up to 60,933,755 New Shares of the Shortfall, on the basis that no New Shares will be issued to Samuel that would result in Samuel and its Associates (including Nicholas Mather) holding a relevant interest in, an aggregate of no more than 20% of the Voting Power of the Company following the issue and allotment of all New Shares (however such limitation does not reduce the obligation of Samuel to procure applications from third parties for such New Shares);

- (b) Samuel will receive a fee of 5% of the sub-underwritten amount from the Underwriter; and
- (c) the Company will issue to Samuel (at the direction of and as the Underwriter's nominee) 4 Underwriter Options for every \$1 of the sub-underwritten amount, subject to Shareholder approval.

Samuel will not take part in the Placement (but may, subject to Shareholder approval take place in the Conditional Placement).

The sub-underwriting commitment of Samuel will be reduced to the extent Tenstar Trading Limited, Samuel Capital Pty Ltd or Samuel or any of their associates take up their Entitlements.

The key terms of the Sub-Underwriting Agreement with DGR Global are:

- (a) as a sub-underwriter¹, DGR has provided a firm commitment to subscribe for 37,499,904 New Shares under the Entitlement Offer either through the Institutional Entitlement Offer, Retail Entitlement Offer or a combination of both having regard to regulatory requirements;
- (b) DGR Global will receive a fee of 5% of the sub-underwritten amount from the Underwriter;
- (c) DGR Global will not take part in the Placement (but may, subject to Shareholder approval take place in the Conditional Placement); and
- (d) the Company will issue to DGR Global (at the direction of and as the Underwriter's nominee) 4 Underwriter Options for every \$1 of the sub-underwritten amount, subject to Shareholder approval.

2.13 Joint Lead Manager

The Company has appointed JB Advisory as a joint lead manager to the Placement and Conditional Placement. Under the terms of the JB Advisory Mandate, the Company will pay JB Advisory the following fees:

- (a) **Management fee:** 1% plus GST of all funds raised by JB Advisory in the Placement or Conditional Placement; and
- (b) **Placement fee:** 5% plus GST for all funds raised by JB Advisory in the Placement or Conditional Placement; and
- (c) **Option Fee:** JB Advisory will be entitled to Underwriter Options representing 4 Options for every \$1 of the amount raised by JB Advisory under Placement and the Conditional Placement, subject to Shareholder approval.

The fees payable as set out above, will be satisfied by way of direction from the Underwriter's fees as set out in section 2.11.

Additional fees are payable to JB Advisory in respect of the CoEra Transaction (see section 7.3 for further information). Further, JB Advisory is entitled to be reimbursed for approved and reasonable expenses incurred by JB Advisory in the delivery of its services. Further details of the JB Advisory Mandate are set out in section 7.3

¹ The sub-underwriting arrangement from DGR Global is on a firm in relief basis. This means that DGR Global's sub-underwriting commitment will be extinguished to the extent that it accepts its Entitlement under the Entitlement Offer.

2.14 Potential effects of Underwriting on Control

BCP

BCP and its Associates currently have a Relevant Interest in 1,659,051 Shares, representing approximately (0.28%) of the voting power in the Company.

The underwritten amount is a maximum of \$4,527,948 representing the Offer Price multiplied by 196,867,318 New Shares. BCP's and its Associates have an Entitlement of some 553,017 New Shares under the Entitlement Offer and BCP has indicated that it and its Associates will take up all of their Entitlement under the Entitlement Offer.

If, at completion of the Entitlement Offer, the Underwriter is required to subscribe for the entire underwritten amount it is possible that the Underwriter may be issued with up to a maximum of 196,867,318 New Shares pursuant to the underwriting, which together with BCP Associates' existing holding would give them 198,526,369 Shares (on an un-diluted basis) representing approximately 21.26% of the voting power in the Company upon all New Shares being issued under the Entitlement Offer and assuming that the Placement is fully subscribed. If no Placement Shares were issued under the Placement, the interest of BCP and its Associates if the Underwriter was required to subscribe for the full underwritten amount would represent approximately 25.21% of the voting power in the Company. This assumes that no Existing Options are exercised.

As set out in section 1.14 above:

- (a) DGR Global has signed a sub-underwriting agreement with the Underwriter pursuant to which it has committed to subscribe for its Entitlement of 37,499,904 New Shares under the Entitlement Offer; and
- (b) Samuel has agreed to sub-underwrite up to 60,933,755 New Shares under the Entitlement Offer.

As a result of these agreements, even in circumstances where no other Shareholder other than DGR Global subscribes for their Entitlement and no Shares are issued pursuant to the Placement, the Underwriter and its Associates' voting power would represent approximately 12.71% even if it was required to take up all of the remaining Shortfall pursuant to the Underwriting Agreement.

In addition:

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

Together, these will reduce the number of New Shares required to be taken up by the Underwriter under the Entitlement Offer. For further details of the underwriting and potential effects on control, please refer to section 7.1.

Potential control scenarios for BCP

The following tables set out the voting power in the Company's Shares for the Underwriter under various scenarios of take-up (assuming that no Existing Options are exercised prior to the Record Date, including

those issued to the Underwriter). Each scenario takes into account the commitments of the Sub-Underwriters as set out in section 2.12.

(a) *Scenario 1 – approximately 100% take up of Entitlements and Placement fully subscribed*

Under Scenario 1, all Eligible Institutional Investors and all Eligible Retail Shareholders take up their Entitlements under the Entitlement Offer, making the Entitlement Offer fully subscribed. As a result of the Placement (assuming it is also fully subscribed) the Underwriter's existing voting power would decrease.

	Total Shares	Other Shareholders Shares	Underwriter and its associates Shares	Underwriter and its associates Voting Power%
Shares on issue pre-Entitlement Offer	590,601,954	588,942,903	1,659,051	0.28%
New Shares issued pursuant to the Entitlement Offer	196,548,565	195,995,548	553,017	-
Maximum Shares to be issued pursuant to the Placement	146,195,009	146,195,009	-	-
Entitlements of Ineligible Shareholders	318,753	98,813	219,940	-
Total post-Entitlement Offer	933,664,281	931,232,273	2,432,008 ¹	0.26%

1) The interest of the Underwriter may increase following completion of the Entitlement Offer if the Underwriter and/or its associates participate in the Conditional Placement. The Underwriter will also be issued with up to ~31,561,734 Options as part of the fees payable under the Underwriting Agreement. Both the participation in the Conditional Placement and the issue of Options to the Underwriter will be subject to shareholder approval. See section 2.20 of this Prospectus for further information.

(b) *Scenario 2 – no take up of Entitlements other than the Underwriter and its Associates, DGR Global and Samuel and its Associates and the Placement is fully subscribed*

Under Scenario 2, subscriptions from Eligible Institutional Investors and all Eligible Retail Shareholders (other than the Underwriter and its Associates and the Sub-Underwriters and Associates of Samuel) is nil under the Entitlement Offer (assuming the Placement is fully subscribed), the Sub-Underwriters comply with their obligations as set out in Section 2.12 and, as a result, the Underwriter is required to subscribe for a total of 98,443,659 New Shares (including its Associates' Entitlement) in accordance with the Underwriting Agreement.

	Total	Other	Underwriter and its	
	Shares	Shareholders	associates	Voting
		Shares	Shares	Power%
Shares on issue pre-Entitlement Offer	590,601,954	588,942,903	1,659,051	0.28%
New Shares issued pursuant to the Entitlement Offer	39,268,910	38,715,893 ¹	553,017 ¹	-
Shortfall issued pursuant to the Underwriting Agreement	157,598,408	59,717,766 ²	97,880,642	-
Maximum Shares to be issued pursuant to the Placement	146,195,009	146,195,009	-	-
Total post-Entitlement Offer	933,664,281	833,571,571	100,092,710 ³	10.72%

1) Entitlements taken up by the Underwriter and its Associates, Sub-Underwriters and Associates of Samuel.

2) Includes New Shares issued to the Sub-Underwriters. See section 2.12 of this Prospectus for further information.

3) The interest of the Underwriter may increase following completion of the Entitlement Offer if the Underwriter and/or its associates participate in the Conditional Placement. The Underwriter will also be issued with up to ~31,561,734 Options as part of the fees payable under the Underwriting Agreement. Both the participation in the Conditional Placement and the issue of Options to the Underwriter will be subject to shareholder approval. See section 2.20 of this Prospectus for further information.

(c) *Scenario 3 – no take up of Entitlements other than DGR Global and Samuel and no Placement Shares issued*

Under Scenario 3, no Placement Shares are issued, subscriptions from Eligible Institutional Investors and all Eligible Retail Shareholders (other than the Underwriter and the Sub-Underwriters) is nil under the Entitlement Offer, the Sub-Underwriters comply with their obligations as set out in Section 2.12 and, as a result, the Underwriter is required to subscribe for a total of 98,443,659 New Shares (including its Associates' Entitlement) in accordance with the Underwriting Agreement.

	Total	Other	Underwriter and its	
	Shares	Shareholders	associates	Voting
		Shares	Shares	Power%
Shares on issue pre-Entitlement Offer	590,601,954	588,942,903	1,659,051	0.28%
New Shares issued pursuant to the Entitlement Offer	39,268,910	38,715,893 ¹	553,017 ¹	-
Shortfall issued pursuant to the Underwriting Agreement	157,598,408	59,717,766 ²	97,880,642	-
Maximum Shares to be issued pursuant to the Placement ¹	-	-	-	-
Total post- Entitlement Offer	787,469,272	687,376,562	100,092,710 ³	12.71%

1) Entitlements taken up by the Underwriter and its Associates, Sub-Underwriters and Associates of Samuel.

- 2) Includes New Shares issued to the Sub-Underwriters. See section 2.12 of this Prospectus for further information.
- 3) The interest of the Underwriter may increase following completion of the Entitlement Offer if the Underwriter and/or its associates participate in the Conditional Placement. The Underwriter will also be issued with up to ~31,561,734 Options as part of the fees payable under the Underwriting Agreement. Both the participation in the Conditional Placement and the issue of Options to the Underwriter will be subject to shareholder approval. See section 2.20 of this Prospectus for further information.

Dispersion strategies

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

- (a) the Directors who hold shares in the Company have indicated their intention of taking up their Entitlement (which together will reduce any potential Entitlement Shortfall);
- (b) the Underwriter has entered sub-underwriting agreements with the Sub-Underwriters and intends to obtain further sub-underwriting commitments;
- (c) the Underwriter and the Company have elected to include the Entitlement Shortfall Facility in this Prospectus; and
- (d) the Underwriter has agreed with the Company that Eligible Shareholders who participate in the Entitlement Shortfall Facility will be given priority over the Underwriter in respect of any Shortfall under the Entitlement Offer (refer to section 2.7 for more details in relation to the allocation policy).

Samuel

Given that Samuel is proposed to sub-underwrite the Entitlement Offer, the following table sets out the potential Voting Power of Samuel if is required under its sub-underwriting agreement to subscribe for approximately 38% of the Entitlement Offer (assuming no other Shareholders participate in the Entitlement Offer (other than the Underwriter and its Associates, the Sub-Underwriters and Associates of Samuel) and the Placement is fully subscribed):

	Total Shares	Other Shareholders Shares	Samuel and its associates Shares	Voting Power%
Shares on issue pre- Entitlement Offer	590,601,954	586,953,986	3,647,968	0.62%
New Shares issued pursuant to the Entitlement Offer	39,268,910	38,052,921 ¹	1,215,989 ¹	-
Shortfall issued pursuant to the Underwriting Agreement	157,598,408	97,880,642 ²	59,717,766	-
Maximum Shares to be issued pursuant to the Placement ¹	146,195,009	146,195,009	-	-
Total post-Entitlement Offer	933,664,281	869,082,558	64,581,723 ³	6.92%

1) Entitlements taken up by the Underwriter and its Associates, Sub-Underwriters and Associates of Samuel.

2) New Shares issued to the Underwriters.

3) The interest of Samuel may increase following completion of the Entitlement Offer if Samuel and/or its associates participate in the Conditional Placement. The participation of Samuel in the Conditional Placement will be subject to shareholder approval. See section 2.20 of this Prospectus for further information. The Underwriter has also agreed to pass on a portion of the Underwriter Options to Samuel pursuant to the Sub-Underwriting Agreement. Both the participation in the Conditional Placement and the issue of Options will be subject to shareholder approval. See section 2.20 of this Prospectus for further information

If there were no Shares issued pursuant to the Placement, the Voting Power of Samuel in the Company on the basis set out above would increase to 8.20%.

DGR Global

As noted above, DGR Global has agreed with the Underwriter to subscribe for its Entitlement of 37,499,904 New Shares under the Entitlement Offer (either through the Institutional Entitlement Offer, Retail Entitlement Offer or a combination of both having regard to regulatory requirements).

Given that the Entitlement Offer is fully underwritten and assuming that the Placement is fully subscribed, DGR Global's voting power after the Entitlement Offer and the Placement will reduce from 19.05% to 16.07%.

DGR Global has indicated its intention to participate in the Conditional Placement for up to that number of Shares in order to retain voting power of 19% following completion of the Entitlement Offer, the Placement and the Conditional Placement. DGR Global's participation in the Conditional Placement will be subject to shareholder approval. The Underwriter has also agreed to pass on a portion of the Underwriter Options to DGR Global pursuant to the Sub-Underwriting Agreement. Both the participation in the Conditional Placement and the issue of Options will be subject to shareholder approval. See section 2.20 of this Prospectus for further information

2.15 Option Holders

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

- (a) have become entitled to exercise their Existing Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Entitlement Offer as a result of being an Eligible Shareholder at 7.00pm (Sydney Time) on the Record Date.

There are currently 95,750,000 Existing Options on issue with various exercise prices and various expiry dates. Please refer to section 5.2.

If all holders of Existing Options were to elect to exercise their Existing Options prior to the Record Date, and become eligible to participate in the Entitlement Offer, a further 31,916,666 (approximately) New Shares (and 15,958,333 New Options) may be issued under this Prospectus. However, the Company currently considers that the Existing Options are unlikely to be exercised prior to the Record Date, therefore no additional New Shares will be issued under the Prospectus on account of the exercise of the Existing Options.

2.16 Secured Amortising Notes

Noteholders will not be entitled to participate in the Entitlement Offer.

2.17 Eligibility of Retail Shareholders

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

- (a) have a registered address in Australia, New Zealand, Singapore, Jersey and Hong Kong or is a Shareholder that the Company has otherwise determined is eligible to participate;
- (b) are not in the United States and are not a person (including a nominee or custodian) acting for the account or benefit of a person in the United States; and

- (c) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or other disclosure document to be lodged or registered.

2.18 Ineligible Shareholders

The Entitlement Offer will only be made to those shareholders with registered addresses in Australia, New Zealand, Singapore, Jersey and Hong Kong as these are jurisdictions in which the Company has sought advice or is otherwise satisfied that it may make the Retail Entitlement Offer without breach of the relevant jurisdictions law and regulations.

The Company has decided that it is unreasonable to make offers under the Entitlement Offer to Shareholders with registered addresses outside of Australia, New Zealand, Singapore, Jersey and Hong Kong having regard to the number of Shareholders in those places, the number and value of the New Securities they would be offered and the cost of complying with the legal and regulatory requirements in those places.

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

In particular the Entitlement Offer is not made in the United States or to persons (including nominees or custodians) acting for the account or benefit of a person in the United States, or to any person who is ineligible under applicable securities laws in any country to receive an offer under the Prospectus without any requirement for a prospectus to be lodged or registered.

2.19 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this document in the United States or in any other country outside of Australia, New Zealand, Singapore, Jersey and Hong Kong, except to beneficial Shareholders in another country (other than the United States) where the Company may determine it is lawful and practical to make the Entitlement Offer. Any person in the United States with a holding through a nominee may not participate in the Entitlement Offer.

2.20 Conditional Placement and other issues of securities

Following completion of the Entitlement Offer, the Company intends to convene a meeting of Shareholders to seek approval (amongst other matters):

- (a) to refresh the Company's placement capacity pursuant to the Listing Rules;
- (b) for the issue of the Placement Options, being up to 73,097,504 Options to be issued to the Placement Participants;
- (c) for the issue of up to 31,561,734 Options to the Underwriter (or its nominees) in satisfaction of the Underwriters Option Fee (see sections 2.11 and 7.1 for further details);
- (d) the issue of further Shares and Options to raise up to \$2.1 million under the Conditional Placement to related parties and other sophisticated investors who were unable to participate in the Placement due to Listing Rule requirements. DGR Global intends to participate in the Conditional Placement in respect of up to that number of Shares needed in order to retain voting power of 19% following completion of the Entitlement Offer, the Placement and the Conditional Placement;

- (e) the issue of the CoEra Consideration (see section 4.2(a) for further details); and
- (f) subject to completion of the CoEra Transaction, the issue of 10,000,000 Options on the same terms as the New Options in consideration for the services of JB Advisory in respect of the CoEra Transaction.

Eligible Shareholders should be aware that the issue of further Shares and Options by the Company will dilute their holding in the Company, however there is no guarantee that the Company will in fact be in a position to proceed with the Conditional Placement or raise any further funds by way of the Conditional Placement.

3. How to apply

3.1 Eligible Institutional Shareholders

The Institutional Offer Letters (together with a copy of this Prospectus) provided by the Underwriter to each Eligible Institutional Shareholders will set out the details of that Eligible Institutional Shareholder's Entitlement and how to apply for that Entitlement under the Institutional Entitlement Offer.

3.2 Your choices as an Eligible Retail Shareholder

The number of New Shares and attaching New Options to which each Eligible Retail Shareholder is entitled (**Retail Entitlement**) is calculated as at the Record Date of **7:00pm AEST on 19 June 2020** and is shown on the personalised Entitlement and Acceptance Form accompanying this Prospectus. If you have more than one registered holding of Shares, you will be sent more than one Entitlement and Acceptance Form and you will have separate Retail Entitlements for each separate holding.

Eligible Retail Shareholders may:

- (a) take up their Entitlement in full, refer to section 3.3;
- (b) take up their Entitlement in full, and apply for Additional New Shares and attaching New Options (refer to Section 3.4);
- (c) take up part of their Entitlement, in which case the balance of their Entitlement would lapse (refer to Section 3.5); or
- (d) allow their Entitlement to lapse (refer to Section 3.6).

Ineligible Shareholders may not take up any of their Entitlement.

Please note that the Entitlement stated on your Entitlement and Acceptance Form may be in excess of the actual Entitlement you may be permitted to take up where, for example, you are holding Shares on behalf of a person in the United States (refer to the definition of Eligible Retail Shareholders in Section 2.18). Eligible Retail Shareholders should be aware that an investment in the Company involves risks. The key risks identified by the Company are set out in Section 6.

The Company reserves the right to reject any Application that is received after the Closing Date. Unless extended in the discretion of the Company in consultation with the Underwriter, the Closing Date for acceptance of the Retail Entitlement Offer is **5:00pm (AEST) on 15 July 2020**.

Should you require a replacement Prospectus and Entitlement and Acceptance Form, please contact the Company's Company Secretary, Karl Schlobohm, kschlobohm@armourenergy.com.au

3.3 How to accept your Entitlement in full

If you wish to accept the whole of your Entitlement, complete and return the Entitlement and Acceptance Form which is attached to this Prospectus in accordance with the instructions set out on the Form and forward the completed Form together with payment for the full amount so as to reach the Share Registry by no later than **5.00pm (AEST) on 15 July 2020**. Payment may be made by cheque, bank draft or BPAY®. The Offer Price of \$0.023 per New Share is payable in full on acceptance of part or all of your Entitlement.

Cheques should be in Australian currency and made payable to "Armour Energy Limited – Rights Issue Account" and crossed "not negotiable".

Completed Forms and accompanying cheques should be mailed to the following address:

Link Market Services Limited

Armour Energy Limited Offer

c/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

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

If you make payment by BPAY®, you do not need to return your Entitlement and Acceptance Form, however, your payment must be received by no later than **5:00pm (AEST) on 15 July 2020**. It is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 5:00pm on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should take this into consideration when making payment.

No brokerage, handling fees or stamp duty is payable by Applicants in respect of their applications for New Shares under this Prospectus. The amount payable on acceptance will not vary during the period of the Retail Entitlement Offer and no further amount is payable on allotment. Application Money will be held in trust in a subscription account until allotment of the New Shares. The subscription account will be established and kept by the Company on behalf of the Applicants. Any interest earned on the Application Money will be retained by the Company irrespective of whether allotment takes place.

3.4 How to accept your Entitlement in full and apply for Additional New Shares and Additional New Options

If you wish to accept all of your Entitlement and also apply for Additional New Shares and attaching Additional New Options under the Entitlement Shortfall Facility, complete the accompanying Entitlement and Acceptance Form for New Shares and also the number of Additional New Shares section in accordance with the instructions set out in the Form.

In order to apply for Additional New Shares under the Entitlement Shortfall Facility you must be an Eligible Retail Shareholder and must have first taken up your Entitlement in full.

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

If you apply for Additional New Shares under the Entitlement Shortfall Facility and your Application is successful (in whole or in part), your Additional New Shares and attaching Additional New Options will be issued at the same time that other New Shares are issued under the Retail Entitlement Offer. The basis on which the Directors will allocate and issue Additional New Shares under the Entitlement Shortfall Facility is set out in sections 1.15 and 3.8.

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

3.5 How to accept your Entitlement in part

Eligible Retail Shareholders may accept their Entitlement in part and allow the balance to lapse.

If you wish to take up only a part of your Entitlement, complete the Entitlement and Acceptance Form for the number of New Shares that you wish to apply for and follow the other steps in accordance with section 3.3.

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

If you do not take up all of your Entitlement in accordance with the instructions set out above, any New Shares that you would have otherwise been entitled to under the Entitlement Offer may be offered under the Entitlement Shortfall Facility or issued to the Underwriters. See sections 1.14 and 3.8 for further details.

3.6 If you do not wish to accept any of your Entitlement

Eligible Retail Shareholders do not have to accept any of their Entitlement.

If you do not wish to accept any of your Entitlement, do not take any further action and your Entitlement will lapse and any New Shares that you would have otherwise been entitled to under the Entitlement Offer may be offered under the Entitlement Shortfall Facility or issued to the Underwriter. See sections 1.14 and 3.8 for further details.

By allowing your Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement. You should note that if you do not participate in the Entitlement Offer, your percentage holding in the Company will be diluted further than if you had participated in the Entitlement Offer (as a result of the dilutive effect of the Placement).

3.7 Binding effect of Entitlement and Acceptance Form

A completed and lodged AJQ Acceptance Advice (as annexed to an Institutional Offer Letter) or Entitlement and Acceptance Form, or a payment made through BPAY®, constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Prospectus and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the AJQ Acceptance Advice or the Entitlement and Acceptance Form is final.

By completing and returning the AJQ Acceptance Advice or your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Securities under the Entitlement Offer;
- (b) you acknowledge that the New Securities have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside of Australia or New Zealand;
- (c) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States;
- (d) you have read and understand this Prospectus and your Institutional Offer Letter or personalised Entitlement Acceptance Form in their entirety;
- (e) you agree to be bound by the terms of the Entitlement Offer;

- (f) all details and statements in the Institutional Offer Letter or Entitlement and Acceptance Form are complete and accurate;
- (g) once the Share Registry receives the Entitlement and Acceptance Form or any payment of Application Monies by BPAY®, you may not withdraw it;
- (h) you agree to apply for the number of New Shares specified in the AJQ Acceptance Advice or Entitlement and Acceptance Form and for which you have either submitted payment of any Application Monies via cheque, bank draft or BPAY®, at the Offer Price per New Share applied for;
- (i) you agree to be issued the number of New Shares (and New Options) for which you have applied, subject to your Entitlement;
- (j) you agree to be issued any Additional New Shares (and Additional New Options) you have applied for from any Shortfall (subject to scale back);
- (k) you authorise the Company, the Underwriter, the Share Registry and their respective officers or agents, to do anything on your behalf necessary for the New Shares and New Options to be issued to you, including to act on instructions of the Share Registry on using your contact details set out in the AJQ Acceptance Advice or Entitlement and Acceptance Form;
- (l) you declare that you were the registered holder of the relevant Shares on the Record Date;
- (m) you acknowledge that the information contained in this Prospectus and the Entitlement and Acceptance Form is not investment advice or a recommendation that New Shares and New Options are suitable for you given your investment objectives, financial situation or particular needs; and
- (n) if you are an Eligible Institutional Shareholder:
 - (1) if you are in Australia, you fall within one of the tests in each of section 708(8) ('sophisticated investor'), or section 708(11) ('professional investor') of the Corporations Act or you are a person who receives the Institutional Offer Letter through a financial services licensee in accordance with, and in compliance with, section 708(10) of Corporations Act;
 - (2) if you are outside Australia, you are a person to whom an invitation or offer to subscribe for the New Securities is permitted by the laws of the jurisdiction in which you are situated and to whom the New Securities can lawfully be issued under all applicable laws, without the need for any registration, filing or lodgement; and
 - (3) you confirm that you are in compliance with all relevant laws and regulations and the Constitution and will not cease to be in compliance if you take up your Entitlement.

3.8 Allotment and allocation policy

An Entitlement Shortfall will exist if any Eligible Shareholder does not take up their full Entitlement. Additional New Shares applied for will only be allocated and issued if an Entitlement Shortfall exists – resulting in the Entitlement Offer being undersubscribed.

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

- (a) The Directors will allocate the Shortfall Shares to Eligible Retail Shareholders that have applied to take up their full Retail Entitlements and in addition have indicated that they wish to take up Additional New Shares as provided for in section 3.4 (or in the case of Eligible Institutional Shareholders, those

who have indicated that they wish to take up Additional New Shares as provided for in the institutional offer letter provided to them).

- (b) The Company reserves the right to allocate Additional New Shares to Eligible Shareholders who wish to take up Additional New Shares at its discretion. In exercising its discretion, the Company will have regard to facilitating the increase in the number of Shareholders with marketable parcels of Shares.
- (c) Once Directors have exhausted the allotment and allocation of Additional New Shares under the Entitlement Shortfall Facility to Eligible Shareholders, the Company will call on the Underwriter to take up the remaining New Shares under the Entitlement Shortfall in accordance with its underwriting obligations under the Underwriting Agreement. These remaining New Shares may be allocated by the Underwriter to the Sub-Underwriters to the Entitlement Offer. New Shares taken up by the Underwriter will be issued at approximately the same time as all other New Shares are issued under the Retail Entitlement Offer.
- (d) The Company will not allocate or issue Additional New Shares under the Entitlement Shortfall Facility, where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law (including FATA). Eligible Shareholders wishing to apply for Additional New Shares must consider whether or not the issue of the Additional New Shares applied for would breach the Corporations Act or the Listing Rules having regard to their own circumstances.
- (e) There is no guarantee that Eligible Shareholders will be successful in being allocated any of the Additional New Shares that they apply for. The Company may reject any Application for Additional New Shares or allocate fewer Additional New Shares than applied for by Applicants for Additional New Shares in accordance with the policy set out above. The Directors reserve the right at their discretion to place a maximum on the number of Additional New Shares that will be issued to Eligible Shareholders who apply for Additional New Shares.

4. Company Information

4.1 Introduction

The Company is listed on the ASX and focusses on the exploration and production of hydrocarbons, predominantly onshore in Australia. The Company was established in 2009 as an exploration company and floated on the ASX in 2012.

Between 2011 and 2012, the Company worked with Native Title holders to facilitate the award of tenure across the Northern Territory and Queensland. During the period from 2012 to 2014, the Company drilled multiple wells across both the Northern Territory and Queensland leading to the discovery and third-party certification of 160BCF of 2C Resources of natural gas, and a combined NT/QLD Prospective Gas Resource of 57 TCF (best estimate).

The Company's key operating asset is the Kincora Project, located in the Bowen-Surat Basin, which the Company acquired from Origin Energy pursuant to a contract executed in September 2015. The Company restarted production at Kincora in December 2017 and is currently producing approximately 8 to 8.5TJ per day.

Armour has also been active in adding quality exploration acreage and de-risking its portfolio by attracting quality joint venture partners:

- The Company has a joint venture with Lakes Oil NL in the following interests: a 51% participating interest in PEP169 and a 25% participating interest in PEP166 in the Otway Basin (JV Permits).
 - The Company is also a 6.31% shareholder in Lakes Oil NL.
 - Although currently under a moratorium for conventional onshore gas exploration and development the Victorian Government has introduced legislation to commence conventional onshore gas exploration and development from 1 July 2021.
- Armour has executed an agreement with Santos for the South Nicholson Basin where Santos acquired 70% of the project area and paid Armour an initial \$15 million payment in cash and Armour will be free carried in the exploration work program up to \$65 million. A further \$15 million will be payable upon the subsequent award of further tenements in the project area.
- Armour increased its footprint in the Bowen Basin and the Company and Australia Pacific LNG Pty Limited (APLNG) were jointly granted petroleum lease PL1084 (10% to the Company) and APLNG (90% interest and operator).

Through its FY2021 work program (discussed below) the Company is targeting to increase daily production above 12TJ for the second half of calendar year 2020.

4.2 Company Update

(a) Operational Matters

2019

During the calendar year of 2019, the Company focused on the recommissioning of several historic wells to increase production, including optimisation of Myall Creek #4A (MC#4A) and Myall Creek #5A (MC#5A) which were both drilled as a part of the work program for the calendar year 2018 campaign. These wells were drilled and connected to the Company's high-pressure gas gathering network, with gas resulting from the optimisation being available for sale via existing gas contracts.

Fracture simulation of MC#5A was completed in late 2019, which resulted in gas flows, IP30, of up to 3.2 TJ/d and 132bbl/d of condensate. As this well was already connected to the sales gas pipeline network, it was rapidly commercialised, and the resulting gas was processed at the Kincora Gas Plant.

The Company also completed the drilling of two wells, Myall Creek North #1 (MCN#1) and Horseshoe #4 (HS#4).

Myall Creek North #1 (MCN#1) was completed in the both the Tinowon A (primary target) and the Tinowon C (secondary target). The Tinowon C interval was found to be wet and it is believed that water cross flow into the Tinowon A has impeded gas flow from this sand. A further intervention & workover is currently being considered for calendar year 2020.

Horseshoe 4 (HS#4) was conventionally completed in both Triassic and Permian sands, tied in, and sustained an initial production wellhead rate, IP30, of 0.31 TJ/d. An Environmental Authority (EA) amendment has recently been granted which allows for hydraulic stimulation activities to now be conducted. Stimulation of HS#4 is planned as the next step for production enhancement and is expected to be part of the calendar year 2020 work program.

FY 2021 work program

A work program for financial year 2021 has being finalised with the objective of increasing both oil and gas production from the existing fields and de-risk the Company's portfolio with exploration activity advancing exploration across key assets.

Existing wells – Surat Basin

Existing Armour well stock has been technically screened for stimulation potential; 14 candidates have been identified to target overlooked & untapped pay. The Black Alley is prospective in more than 10 wells and are considered possible analogues of Armours 2019 stimulation success, being the Myall Creek 5A (MC#5A) well (currently the best production well in Armour's Surat acreage). Candidates include development, appraisal & exploration opportunities which can contribute to production, reserves maturation and/or de-risk future drilling inventory:

- Well enhancement programs including various workover opportunities
- 3 well stimulation program in 2020 - likely Riverside 1, Horseshoe 4 & Warroon 1.
- Follow-up multiple stimulation campaigns with a further 3 wells in 2021 to unlock the potential of Bandanna & Tinowon Formations (Permian) - demonstrated as potential production zones in the Myall Creek #5A well that was completed in December 2019.

New wells – Surat Basin

Following the stimulation program Armour will reassess its portfolio & undertake a drilling program – focusing on gas & oil targets, in the latter part of FY 2021.

Exploration

Cooper Basin - High-grade leads and prospect inventory utilizing Total Depth Seisnetics 3D seismic next generation AI evaluation tool to generate drill-ready exploration targets for 2021 drilling program

NT - An airborne survey in NT to identify REDOX activity indicating possible hydrocarbon zones, will be undertaken & will be a precursor to optimising future seismic survey locations.

Surat Basin - Review of airborne survey results undertaken in late 2019 over the Surat Basin to determine design of 3D surveys across key Surat Basin exploration assets.

Uganda - The seismic program in Uganda is scheduled to be completed in 2020, subject to the Force Majeure in relation to Covid-19 lifting.

As announced on 28 May 2020, the Company has executed a conditional binding Term Sheet for the acquisition of all the issued capital of CoEra Limited (**CoEra**), a wholly owned subsidiary of Oilex Limited (**Oilex**) (**CoEra Transaction**).

As announced by the Company on 15 June 2020, the parties have entered into a detailed share sale agreement for the acquisition of all the issued capital in CoEra, that replaced the Term Sheet.

CoEra's assets comprise a substantial footprint of exploration and production licences on the oil rich Western and Northern Flanks of the Cooper Basin. The basin historically has a high exploration success rate, low cost development pathways, and remains under-explored and under-developed. Proven oil fairways transect and lie adjacent to the licence areas subject of the proposed acquisition and the many nearby discoveries and fields provide analogues for future discoveries.

The assets include an approximate 79.33% interest in Petroleum Exploration Licence (**PEL**) 112 and PEL 144 (covering 1,086 km² and 1,166 km² respectively), together with an option to acquire the remaining 20.66% interest in each of these PEL's. In addition, the Company will also acquire a 100% interest in 27 Petroleum Retention Licences (**PRL's**) covering in total 2,445 km² including 792 km² of 3D Seismic, by assuming the obligations of Oilex under existing arrangements between Oilex and Senex Energy Ltd (**Senex**). These arrangements provide for the 27 PRL's to be acquired for \$27.00 together with the assumption of existing abandonment liabilities and the replacement of \$1.2m in tenement bonds with the South Australian Government in due course. Senex will retain a 20% back in right at cost subject to certain conditions following the drilling of a well.

Substantial historic seismic reinterpretation work, and the results of previous drilling in the area, have identified multiple leads and prospects. The Company's ongoing work will re-evaluate the existing technical data and, as well as acquiring new data, will be aimed at identifying stratigraphic trends and opportunities in an area where oil migration is proven and pervasive. Large parts of the CoEra acreage are covered by 3D seismic and the Company will apply specific re-processing techniques to further enhance the understanding of the stratigraphic distribution of the multiple potential reservoir horizons and targets. The existing Paning Tight Gas discovery will be fully evaluated to identify the most effective development solution.

The acquisition consideration due under the share sale agreement includes the issue to Oilex (or its nominees) of a minimum of 24.5m shares and a maximum of 34.5m shares, depending on the VWAP of the Company's share price over a period of 90 days from the completion date under the share sale agreement, together with a payment of \$125,000 (the **CoEra Consideration**). Specifically, subject to shareholder approval, Oilex will be issued:

- (a) on completion, 24.5 million Shares (which are subject to a 12 month voluntary escrow); and
- (b) within 90 days of completion, further Shares issued as an adjustment to give an equivalent value of \$906,500 if the VWAP of Company shares is below \$0.037 for a period of 90 days following completion, capped at 10 million Shares and subject to a 9 month voluntary escrow.

The variance is designed to deliver a closing consideration of \$906,500 in the Company's shares to Oilex, subject to the aforementioned maximum and minimum parameters. The issue of the shares to Oilex will be subject to any necessary shareholder or regulatory approvals.

The acquisition remains subject to a number of conditions precedent, which must be satisfied before 15 September 2020 (unless the parties agree otherwise).

New Oil Reserves and Resources

The Company has completed an extensive review of its acreage for oil exploration, appraisal and development potential. During calendar year 2019, Armour's technical staff progressed geological and engineering studies across the greater Kincora Project. Please refer to Armour's ASX announcement of 18 February 2020 for more information.

The results of these studies, which included a review of historically producing fields, an airborne survey and a reassessment of existing and reprocessed seismic data, have contributed to the identification of previously unbooked oil reserves and resources.

As announced to the ASX on 18 February 2020, the following numbers in **Table 1** and **Table 2** reflect the Company's Total Oil Reserves and Total Contingent Oil Resources for the Kincora Project.²

Table 1: Armour Energy Bowen-Surat estimated net aggregated quantities of Oil Reserves

Kincora Project Total Reserves	1P	2P (1P+2P)	3P (1P+2P+3P)
Estimated Total Oil (BBL)	245,600	1,220,600	2,639,500

Notes:

- Reserve numbers in Table 1 only reflect new Armour share Oil Reserves.
- Reserves are classified according to SPE-PRMS.
- Reserves are stated on a risked net basis with historical production removed
- Reserves can be lifted and sold on behalf of any minority interest holder.
- Reserves are stated inclusive of previous reported estimates.
- Bbl = barrels, kbbl = thousand barrels, mmbbl = million barrels
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible

Table 2: Armour Energy Bowen-Surat estimated net aggregated quantities of Oil Contingent Resources

Kincora Project Total Contingent Resources	1C	2C (1C+2C)	3C (1C+2C+3C)
Estimated Total Oil (BBL)	1,231,000	3,696,000	8,019,000

Notes:

- Contingent Resource numbers in Table 2 only reflect new Oil Resources.
- Contingent Resources are classified according to SPE-PRMS.
- Contingent Resources are stated on a risked net basis with historical production removed, where applicable
- Contingent Resources are stated inclusive of previous reported estimates.
- The aggregate 1C may be a very conservative and the 3C very optimistic because of arithmetic summation

² Source of estimate: ASX Announcement "Maiden Material Oil Reserves and New Resources at Kincora" released on ASX on 18 February 2020. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may be potentially recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

- Contingent Resources can be lifted and sold on behalf of any minority interest holder.
- Bbl = barrels, kbbl = thousand barrels, mmbbl = million barrels

The adding of material Oil Reserves and Resources to the Company's portfolio validates the long term and diverse potential of the wider Kincora Project. In addition, the in-progress efforts to test and restart oil wells suspended by the previous operator along with the plan to drill new oil appraisal wells confirms the Company's intention to realize the full potential on its acreage through both reserves and production growth.

Upgrade of Gas Reserves

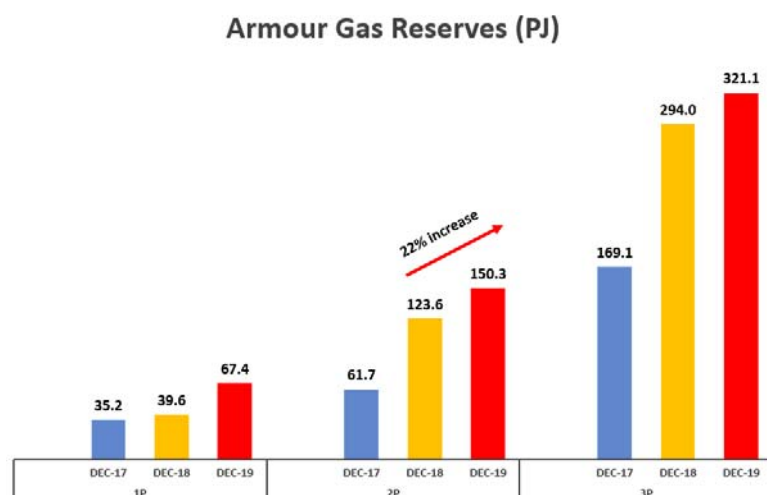
The Company's successful hydraulic stimulation of Myall Creek 5A, the drilling of the Horseshoe 4 gas well and ongoing geological and reservoir studies across the greater Kincora Project have contributed to the upgrade in Reserves.

As announced to the ASX on 12 June 2020, the following numbers in **Table 3** reflect the Company's Total Gas Reserves for the Kincora Project. Figure 1 identifies the Gas Reserves growth year on year from December 2017 to 31 December 2019.³

Table 3. Combined Armour (Surat) Energy Gas Reserves

Kincora Gas Project	1P	2P	3P
Gas (Bscf)	59.3	132.2	282.4
Sales Gas (PJ)	67.4	150.3	321.1
LPG (T)	139,000	310,000	663,000
Condensate (Bbl)	670,000	1,493,000	3,191,000

Figure 1. Armour Energy Reserves growth as per 31st December 2019



³ Source of estimate: ASX Announcement "Increase in Gas Reserves at Kincora Project (Re-release)" released on ASX on 12 June 2020. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may be potentially recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Notes:

- Petroleum reserves are classified according to SPE-PRMS.
- Petroleum reserves are stated on risked net basis with historical production removed
- Petroleum Reserves have no deduction applied for gas used to run the process plant estimated at 7%
- Petroleum Reserves can be sold on behalf of any minority interest holder
- Petroleum Reserves are stated inclusive of previous reported estimates
- BSCF = billion cubic feet, PJ = petajoules, bbls = barrels, gas conversion 1.137 PJ/BCF
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible.
- LPG Yield 2065 tonnes/petajoules, Condensate Yield 9938 barrels/petajoules

The Company has re-evaluated existing discovery wells and identified significant hydrocarbons from the Myall Creek area and south along the western flank of the Roma Shelf in its operated authority-to-prospect, potential-commercial-areas and petroleum licences. Multiple hydrocarbon saturated tight liquid rich gas reservoirs are present in cased/suspended wells and offer further opportunities to accelerate production. The Company is currently progressing plans to hydraulically stimulate existing well stock in 2020 and in 2021. These efforts are expected to contribute to sales gas production and further characterize the fields for future drilling and ultimately contribute to the reserve's maturation strategy.

Northwest Queensland and the Northern Territory

The Company has scheduled work programs for its granted tenements in the Northern Territory and is working with the Northern Territory Government and the Northern Land Council to gain the necessary approvals.

The Company intends to complete an approximate 20,100 km² non-invasive airborne survey, submit retention licences over certain discovery wells in conjunction with non-binding gas sales agreements, prepare for iodine soil surveys and new 2D seismic clearance activities when travel restrictions and border control measures ease. Progression of exploration permit applications 172 and 177, which form part of the Santos joint venture in the South Nicholson Basin, will continue when measures to protect remote communities are lifted in the coming months.

The Company is continuing its marketing and discussions with industry peers to farm-in to the remaining Northern Territory licences and work programs.

Bowen-Surat Basin Exploration

The Company completed two new 3D-survey designs and operational planning. The technical objectives of the Myall Creek East 3D seismic (75-km²) and the Parknook West 3D seismic (180-km²) are to acquire high resolution 3D seismic reflection images of the over-pressured liquid rich hydrocarbon window from 2,400-3,000m measured depths. The surveys will provide necessary data to map geological structures, stratigraphy, potentially direct-hydrocarbon-indications and fracture density/orientation. The seismic surveys are well placed for low cost connections to existing pipeline infrastructure that have capacity for more gas and liquids.

Murrungama

As announced to the ASX on 11 March 2020, the Company and Australia Pacific LNG Pty Limited (**APLNG**) were jointly granted petroleum lease PL1084 (10% to the Company) and APLNG (90% interest and operator).

Victoria

The Company has a joint venture with Lakes Oil NL in the following interests: a 51% participating interest in PEP169 and a 25% participating interest in PEP166 in the Otway Basin (**JV Permits**).

The Company is also a 6.31% shareholder in Lakes Oil NL.

Although currently under a moratorium for conventional onshore gas exploration and development until 30 June 2020, the Victorian Government has introduced legislation to commence conventional onshore gas exploration and development from July 2021.

The Company and Lakes Oil NL are targeting hydrocarbons in the onshore sections of the Gippsland Basin, predominately in the Strzelecki Group and the Rintoul Creek Sandstone. The Company and Lakes Oil NL believe the bulk of the Gippsland Basin's oil and gas reserves (the subject of offshore production activities) are at least partially derived from the Rintoul Creek Sandstone and that the latter offers significant onshore hydrocarbon potential.

The sands and shales of the Strzelecki Group are highly prospective in the JV Permits. Initial flows in the Wombat Field reached up to 4.5 MMcfd from the Strzelecki Group. Live oil flowed from a natural fractured conventional reservoir in Wombat-3 that is likely sourced from the Rintoul Creek Sandstone.

Uganda

A renewal of the second 2-year term of the exploration license has been granted to Armour on 13 September 2019, subject to certain conditions subsequent.

As announced by the Company on 28 October 2019, the Company wrote to the Minister of Energy and Mineral Development (**Minister**) of the Ugandan Government declaring that it was suspending work on the 2D seismic survey program as a result of an event of Force Majeure (as defined under the PSA). As set out in section 7.3, on 9 April 2020 and in response to the COVID-19 pandemic the Company again wrote to the Minister invoking the Force Majeure (as defined under the PSA) provisions.

(b) Financial Result

The first half of calendar year 2020 (H1) realised consistent sales revenue of Gas, LPG, Condensate and Crude across the Company's well portfolio of A\$10,993,708. Gas sales averaged 8.0 TJ/day (normalised), predominantly from existing wells with liquid rich gas, therefore providing LPG and condensate which contributed strongly to sales revenue.

During August 2019, production and sales were impacted by an outage to the C101 compressor which resulted in reduced daily production rates due to the LPG gas circuit of the Kincora Gas Plant being down for a period of 26 days. During this period, the Company was able to continue at a reduced production rate from the Newstead Gas Storage facility and select Kincora wells. The Company was also able to successfully complete a significant amount of maintenance work which had been planned to be undertaken in the future. The Kincora plant returned to full operations on 27 August 2019.

After normalisation to account for the period of downtime of 26 days, gas sales for the half-year ended averaged 8.0 TJ/day, which represents a decrease of 0.4 TJ/day (or 5%) of gas sales (and production) in comparison to the half year ended 31 December 2018. In addition to this, the Company also produced condensate at approximately 148 bbls/day and LPG at approximately 11 tonnes/day.

Table 1 – Production and sales summary

Sales for the half -year period July to December	Half-year FY19 *	Half-year FY18	Movement
Sales revenue (\$ million)	\$11.0m	\$13.1m	\$(2.1)m
Average Gas Sales* per day (TJ/day)	8.0	8.4	(0.4)
Average LPG Sales per Day (Tonnes/day)	11.0	13.6	(2.6)
Average Oil/Condensate Sales per Day (bbl/day)	148	161	(13)

* Production normalised to exclude period of 26 days of reduced production from the Kincora Gas Plant

A gross profit from operations of \$0.5 million was achieved which was offset by the main expenditure areas of general and administration costs, financing costs, and pre-production costs and income tax. The net loss after tax for the Company was \$7.0 million.

The loss for the year included the following significant items:

- Cost of goods sold of \$10.4 million: represent Kincora operating costs.
- Financing costs of \$3.5 million: mainly represents interest expense, establishment costs of new facilities, and amortisation expense relating to loan facilities.
- Other expenditure items are consistent in nature from the prior year and include employment expenses, legal, marketing, regulatory and compliance, and general administrative costs.

During the half year ended 31 December 2019, the Company reported net cash outflow from operating activities of \$4.0 million for the period.

Cashflows from investing activities of \$7.6 million primarily represents payments for the Company's development wells at Myall Creek 5A, Horseshoe 4, Myall Creek North 1 which is offset by \$15.0 million received from Santos for the South Nicholson Basin Farmin Agreement.

Cashflows from financing activities relate to the receipt of funding under equity raisings and note facility / convertible note borrowings, offset by transaction costs and payment of convertible note interest.

The significant financing activities during the half year ended 31 December 2019, include:

- completion of a Private Placement, raising A\$4,000,000 in equity funds; and
- amendments to the terms of the Company's Secured Amortising Notes (which were passed by Special Resolution of the Noteholders on 25 March 2020).

The Company is aiming to significantly increase revenue over the coming twelve (12) months following the implementation of a multi-stage field development plan which is designed to exploit the Company's reserves.

4.3 The Directors

The Directors of the Company bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.

The following persons are directors of the Company as at the date of this Prospectus:

Nicholas Mather – Executive Chairman

Mr Mather's special area of expertise is the generation of and entry into undervalued or unrecognised resource exploration opportunities. Mr Mather has been involved in the junior resource sector at all levels for more than 25 years. In that time Mr Mather has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies, Mr Mather brings a wealth of valuable experience.

Mr Mather is currently also a director of DGR Global Limited, Dark Horse Resources Limited, Aus Tin Mining Limited, Lakes Oil NL, SolGold plc and IronRidge Resources Limited.

Mr Mather has a Bachelor of Science (Hons, Geol) and is a member of AusIMM.

Stephen Bizzell – Non-Executive Director

Mr Bizzell was previously Executive Director of Arrow Energy Ltd, from 1999 until its acquisition by Shell and Petro China for \$3.5 billion in August 2010. Mr Bizzell was instrumental in Arrow Energy's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. Mr Bizzell was also co-founder and Non-Executive Director of Bow Energy Ltd until its takeover for \$0.55 billion in January 2012. Mr Bizzell has had further experience in the oil and gas sector as a Director of Dart Energy Ltd and Strike Energy Ltd.

Mr Bizzell is currently also a director of ASX listed Renascor Resources Limited, Laneway Resources Limited and Strike Energy Limited.

Mr Bizzell qualified as a chartered accountant and early in his career was employed in the corporate finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. Mr Bizzell holds a Bachelor of Commerce and is a member of the Australian Institute of Company Directors and a Senior Associate of FINSIA.

Roland Sleeman – Non-Executive Director

Mr Sleeman has 34 years' experience in oil and gas as well as utilities and infrastructure. Mr Sleeman has served in senior management roles, including with Eastern Star Gas Limited as Chief Commercial Officer and AGL as General Manager of the Goldfields Gas Pipeline.

Mr Sleeman has extensive engineering and business experience including negotiation of gas sales agreements that provided a foundation for development of the North West Shelf Project, commercialisation of new gas and power station opportunities and management of major gas transmission pipeline infrastructure.

Mr Sleeman is also the Executive Director of Lakes Oil NL and has a Bachelor of Engineering and an MBA.

Eytan Uliel – Non-Executive Director

Mr Uliel is a finance executive with extensive oil and gas industry experience. Since 2015 Mr Uliel has served as Commercial Director of Bahamas Petroleum Plc, a UK Listed company, with conventional oil exploration acreage offshore the Bahamas. From 2009 to 2014, Mr Uliel was Chief Financial Officer and Chief Commercial Officer of Dart Energy Limited, an ASX listed company that had unconventional gas assets (coal bed methane and shale gas) in Australia, Asia and Europe, and Chief Commercial Officer of its predecessor Company, Arrow International Limited, a Singapore based company that had unconventional gas assets primarily in Asia and Australia.

General

Details of the current interests of the Directors in the Company and their intentions in respect of the Entitlement Offer are set out in sections 1.9 and 8.6.

4.4 Senior Management

The following persons form the senior management of the Company as at the date of this Prospectus:

Nicholas Mather – Executive Chairman

Refer to section 4.3 for details.

Karl Schlobohm – Company Secretary

Mr. Schlobohm is a Chartered Accountant with 25 years' experience across a wide range of industries and businesses and as a result brings a unique range of skills, including expertise in Corporate Governance, Financial Accounting, Corporate Finance and Corporate Taxation matters. Mr. Schlobohm holds Undergraduate Degrees in Commerce and Economics, together with a Masters Degree in Taxation. Mr Schlobohm is a Fellow of the Governance Institute of Australia and the Institute of Chartered Accountants in Australia.

Richard Aden – Chief Financial Officer

Mr Aden is a Chartered Management Accountant (ACMA) with 25 years' experience in the upstream oil and gas industry gained both internationally and domestically. Mr Aden has a broad range of skills across financial and commercial management in both an Operated and Non-Operated environment. In the last 15 years, Mr Aden has held executive positions within ASX listed entities with interests throughout Asia, Africa, South America and Australia.

Michael Laurent – General Manager, Development

Mr. Laurent is a professional engineer with over 20 years of diverse oil & gas industry experience and has successfully held various senior managerial and GM positions. Mr Laurent's career spans a number of sectors and includes expertise in reservoir, drilling, facilities, production and operations with particular emphasis on resource and business development. Mr Laurent's experience is underpinned with strong strategic, commercial and technical acumen in both conventional and unconventional reservoirs. Mr Laurent's career accomplishments include a track record of accepting P&L responsibility and ensuring operational objectives and budgets are met and goals are reached.

Prior to joining the Company, Mr. Laurent successfully held a variety of domestic and international technical leadership appointments. Most recently Mr Laurent worked for Santos where he was responsible for managing Cooper Basins oil and gas appraisal/development wells and field optimisation initiatives from inception through to approval and implementation.

Mr. Laurent joined the Company in May 2019 and is a professionally registered engineer in both Australia and Canada.

Brad Lingo – Chief Executive Officer

As announced by the Company on 15 June 2020, the Company appointed Mr Brad Lingo to the position of CEO. Mr Lingo has a long and successful career in the Australian oil and gas exploration and production industry, most notably credited as the driving force in the growth of Drillsearch Energy Limited (**Drillsearch**) to a market capitalization in excess of \$700m prior to its acquisition by Beach Energy in 2016.

Mr Lingo's skills and experience are expected to be instrumental in the ongoing corporate development of the Company with a strong focus in securing a partner in the highly prospective Northern Territory assets in the Macarthur Basin, where the Company made its first significant gas discovery in 2013 at the Glyde project. His experience in joint venture management will be invaluable in the Company's joint venture with Santos in northern Australia and his strong track record in exploration development and production leadership in the Cooper Basin for Drillsearch is expected to drive further asset growth for the Company at Kincora and in the assets to be acquired in the Cooper Basin. He has also demonstrated a strong achievement in financial structuring and management which will assist the Company in its existing commitments at Kincora on the Roma Shelf of the Surat Basin in southern Queensland where it is currently a gas and oil producer.

Mr Lingo joined the Company on 15 June 2020.

5. Effect of the Entitlement Offer on the Company

5.1 Financial position

To illustrate the effect of the Entitlement Offer on the Company, the pro-forma consolidated balance sheet has been prepared based on the audit reviewed balance sheet as at 31 December 2019. In order to comply with section 713 of the Corporations Act the effect of the Entitlement Offer in particular is noted.

The pro-forma balance sheet shows the effect of the Placement and the Entitlement Offer as an underwritten offer and as if the Entitlement Offer (under this Prospectus) and Placement had been made on 31 December 2019. The pro-forma balance sheet:

- (a) assumes that the Entitlement Offer is fully subscribed; and
- (b) the Placement is fully subscribed.

The accounting policies adopted in preparation of the pro-forma consolidated balance sheet are consistent with the policies adopted and as described in the Company's financial statements for the year ended 30 June 2019.

The significant effects of the Placement (assuming it is fully subscribed) and the Entitlement Offer will be to:

- (c) increase cash reserves by approximately \$9.47 million (after the reduction of debts and payment of Entitlement Offer and Placement expenses); and
- (d) increase the number of issued ordinary shares by 196,867,318 in respect of the Entitlement Offer and 146,195,009 in respect of the Placement to 933,664,281; and
- (e) increase the number of Options on issue from 95,750,000 to as follows:
 - (1) 98,433,659 in respect of the Entitlement Offer;
 - (2) 73,097,504 in respect of the Placement; and
 - (3) 31,561,734 in respect of the Underwriting Agreement and Engagement Letter (subject to all necessary Shareholder approvals).

Eligible Shareholders who accept their Entitlement in full and do not apply for (and receive) a sufficient number of Additional New Shares under the Shortfall Facility will experience a reduction in their percentage as a consequence of the conduct of the Placement with the Entitlement Offer. If an Eligible Shareholder does not take up their Entitlement in full it will result in their percentage holding in the Company being diluted further by the Entitlement Offer. See section 5.4 for further details.

Pro-forma consolidated statement of financial position

	Audited	Entitlement	Placemen	Proceeds	Bond	Explor-	Kincora	Other	Pro-forma
	31-Dec	Offer¹	t¹	from	debt	ation	Area	sources	Balance
	2019			Assets	reduction	expend-	develop-	and uses	Sheet
	\$Million	\$Million	\$Million	\$Million	and	iture	ment and	of funds³	\$Million
					interest		work		
					payments²		program³		
					\$Million	\$Million	\$Million	\$Million	\$Million
Assets									
Current assets									
Cash and cash equivalents	12.64	4.00	3.36	10.00	(14.79)	(1.27)	(4.24)	(6.38)	3.32
Other current assets	5.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.56
Total current assets	18.20	4.00	3.36	10.00	(14.79)	(1.27)	(4.24)	(6.38)	8.88
Total non-current assets	98.45	0.00	0.00	(10.00)	0.00	1.27	4.24	0.00	93.97
Total assets	116.65	4.00	3.36	0.00	(14.79)	0.00	0.00	(6.38)	102.85
Total current liabilities	11.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.05
Total non-current liabilities	64.89	0.00	0.00	0.00	(11.20)	0.00	0.00	0.00	53.69
Total liabilities	75.94	0.00	0.00	0.00	(11.20)	0.00	0.00	0.00	64.74
Net assets	40.71	4.00	3.36	0.00	(3.59)	0.00	0.00	(6.38)	38.11
Total equity	40.71	4.00	3.36	0.00	(3.59)	0.00	0.00	(6.38)	38.11

¹ Total funds raised, after associated costs on the basis the Entitlement Offer is fully underwritten and assumes that the Placement is fully subscribed.

²Bond debt reduction of \$5.20 million principal repayments to noteholders from anticipated asset transactions, and ~\$2.1 million principal and interest repayments due in Jun, Sept, and Dec 2020. This also includes principal and interest payments made in March 2020.

³Refer to Sources and Uses of Funds as detailed in section 1.5..

5.2 Capital structure

The share capital structure of the Company immediately following the Entitlement Offer, on the basis that the Entitlement Offer is fully subscribed (excluding rounding of Entitlements), will be as follows:

	Number	%
Ordinary Shares on issue at the date of this Prospectus	590,601,954	63.26
Maximum number of Shares issued under the Placement ¹	146,195,009	15.66
Maximum number of Shares issued under the Entitlement Offer ²	196,867,318	21.09
Total:³	933,664,281	100

Notes:

- 1) This assumes that all of the Placement Shares are issued.
- 2) This does not include any Shares issued as a result of holders exercising any Existing Options. If any of the Existing Options are exercised prior to the Record Date, additional New Securities will be issued under the Entitlement Offer under this Prospectus. Refer below for details.
- 3) The Company intends to proceed with further issues of Shares following completion of the Entitlement Offer (including the Conditional Placement and subject to the completion of the CoEra Transaction, the issue of the CoEra Consideration) which will each be subject to shareholder approval. Further details are set out in sections 2.20 and 4.2(a) of this Prospectus. The total percentage number may not total arithmetically as a result of the effect of rounding.

As at the date of this Prospectus, the Company has 95,750,000 Existing Options on issue, as follows:

No of options issued	Holder	Exercise price	Expiry date
2,550,000	Employees – ESOP	\$0.195	29 March 2021
2,550,000	Employees – ESOP	\$0.345	29 March 2021
1,650,000	Employees – ESOP	\$0.495	29 March 2021
41,000,000	Corporate Adviser	\$0.161	31 July 2021
8,000,000	Capital Raising Fee Options	\$0.080	30 September 2023
40,000,000	September 2019 Placement options	\$0.080	30 September 2023

If all holders of Existing Options were to elect to exercise their Existing Options prior to the Record Date, and become eligible to participate in the Entitlement Offer, a further 31,916,666 (approximately) New Shares (and 15,958,333 New Options) may be issued under this Prospectus. However, the Company currently considers that the Existing Options are unlikely to be exercised prior to the Record Date, therefore no additional New Shares will be issued under the Prospectus on account of the exercise of the Existing Options. Accordingly, the Company does not expect any additional New Shares will be issued under this Prospectus on account of the exercise of the Existing Options.

The option capital structure of the Company immediately following the Entitlement Offer, on the basis that the Entitlement Offer and Placement is fully subscribed (excluding rounding of Entitlements), will be as follows:

	Number
Existing Options on issue at the date of this Prospectus	95,750,000
Maximum number of Options issued under the Entitlement Offer ¹	98,433,659
Total:	194,183,659

Notes:

- 1) If any of the Existing Options are exercised prior to the Record Date, additional New Securities will be issued under the Entitlement Offer under this Prospectus.

As noted in section 2.20, subject to shareholder approval being obtained, the Company intends to proceed with the issue of the Placement Options, 31,561,734 Options to the Underwriter, the issue of further Options as part of the Conditional Placement, subject to the completion of the CoEra Transaction, further Options to JB Advisory as set out in section 7.3.

5.3 Present shareholder position

The substantial Shareholders of the Company immediately prior to the date of this Prospectus are as follows:

Name	Shares	%
DGR Global	112,499,712	19.05
Mr David Rooke	66,261,425	11.22
Tenstar Trading Limited	49,169,592	8.33
Mr Paul Cozzi	38,215,487	6.47

5.4 Potential effect of the Placement and Entitlement Offer

Whilst the Entitlement Offer is a fully underwritten pro-rata offer, the conduct of the Placement in conjunction with the Entitlement Offer means that all Eligible Shareholders will have their percentage interest in the Company diluted if they only accept their Entitlement and do not apply for (and receive) a sufficient number of Additional New Shares from the Shortfall Facility. If Eligible Shareholders take up their Entitlements in full without receiving Additional New Shares, the voting power of Eligible Shareholders will be reduced by a maximum of 11.22% as a result of the Placement.

Shareholders who do not take up all of their Entitlements will have their interest in the Company further diluted. Given the terms of the Entitlement Offer and the Placement, the maximum possible dilution to an Eligible Shareholder's interest in the Company would be 37%. In addition, the proportional shareholdings of Shareholders who are not resident in Australia, New Zealand, Singapore, Jersey and Hong Kong, may be diluted as those Shareholders are not entitled to participate in the Entitlement Offer. The holdings of those Ineligible Shareholders will be diluted by a maximum of 25% under the Entitlement Offer.

Accordingly, Eligible Shareholders can reduce the extent of the dilution of their voting power in the Company by accepting their Entitlement in full and applying for Additional New Shares under the Shortfall Facility.

Details of the potential voting power of the Underwriter in various scenarios are set out in section 2.14 of this Prospectus.

The calculations in this section 5.4 assume that none of the Existing Options are exercised. See section 5.2 for further detail.

6. Risk factors

6.1 Introduction

There are risks which may impact on the operating and financial performance of the Group and, therefore, on the value of the New Securities offered under this Prospectus. Some of these risks can be mitigated by the Group's systems and internal controls, but many are outside of the control of the Group and the Board, are dependent on the policies adopted and approaches taken by regulatory authorities or cannot otherwise be mitigated. There can be no guarantee that the Company will achieve its stated objectives or that any forward-looking statements will eventuate.

The New Securities offered under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to the future performance of the Company. As with any equity investment, substantial fluctuations in the value of your investment may occur.

Potential investors should therefore carefully consider all associated risks before applying for New Securities under this Prospectus and should consider their personal circumstances (including financial and taxation issues) and seek advice from their stockbroker, accountant, solicitor or other professional advisers before deciding whether to invest (particularly if you are unsure about subscribing for New Shares).

A number of material risk factors which may adversely affect the Group and the value of the New Shares offered under this Prospectus are set out in this section. This is not an exhaustive list and there may be other factors which have an adverse effect on the Group and the value of the Shares offered under this Prospectus.

6.2 Risks specific to an investment in the Company

(a) COVID-19 Impact Risk

The global economic outlook is facing uncertainty due to the current COVID-19 (Novel Coronavirus) pandemic, which has been having, and is likely to continue to have, a significant impact on global capital markets, oil and gas prices and foreign exchange rates.

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.

The Company has exposure to the Australian East Coast Domestic Gas Market via its current gas contracts with Australia Pacific LNG (APLNG). The Company'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 Company is exposed to the current lower LNG netback price in the Australian East Coast Domestic Gas Market, resulting in a net decrease in forecast revenue for 2020.

Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects.

In addition, should any Company personnel or contractors be infected by COVID-19, it could result in the Company's operations being suspended or otherwise disrupted for an unknown period of time, which may have an adverse impact on the Company's operations as well as an adverse impact on the financial condition of the Company.

(b) **Uganda Risk**

The Company holds the Licence in Uganda. While the Company has received consent from the Minister to transfer the Licence to Armour Energy Uganda, to date the Licence has not been issued in the name of Armour Energy Uganda. Accordingly, while the Company remains the licensee in respect of the Licence, it is likely that any demand by the Government of the Republic of Uganda for the payment of amounts in respect of Licence (i.e. the Ugandan Conditional Contingent Licence Liability) would be made directly to the Company. In such circumstances, the Company would likely either have primary liability as the Licensee or ancillary liability as a potential guarantor. It is also likely that even when the Licence is transferred to Armour Energy Uganda, that as a result of the Parent Company Guarantee, that such a demand for payment would still be made directly to the Company. Where the demand by the Government of the Republic of Uganda for a payment was held by a court of competent jurisdiction to be valid, the Company would be liable for the relevant amount and would need to look to DGR Global pursuant to the terms of the Deed of Indemnity and Guarantee to pay its 83.18% share of the relevant liability.

Accordingly, there exists counterparty risk in respect of the Deed of Indemnity and Guarantee. Should a dispute arise between the Company and DGR Global as to the relevant liability or the Deed of Indemnity and Guarantee, this could place the Company in the position of having 100% exposure to the relevant liability, being required solely to pay the relevant amount to the Government of the Republic of Uganda and having to pursue DGR Global (a major shareholder in the Company) for its contribution pursuant to the Deed of Indemnity and Guarantee.

A similar counterparty risk exists in respect of DGR Global funding at least its proportionate share (83.18%) of the Second Exploration Period Minimum Work Program.

As noted below in section 7.3, the Company is currently in negotiations with the Ugandan Government as regards the Ugandan Licence Performance Guarantee and the Relinquishment. While the Company is of the view that neither the Ugandan Licence, the PSA, nor the Petroleum Act mandate that a Ugandan Licence Performance Guarantee is required for the remainder of this term of the Ugandan Licence, should the Company not be successful in such negotiations and a Ugandan Licence Performance Guarantee ultimately be required in this amount, then the Company would likely be required to provide its proportionate share of the relevant amount (16.82%), and again, a similar counterparty risk exists in respect of DGR Global funding its proportionate share of the relevant amount (83.18%).

The Company and the Ugandan Government are negotiating the amount of such a performance guarantee should one be required. The Ugandan Government initially stated that it would require the Ugandan Licence Performance Guarantee to be in the amount of US\$990,000. The Company has not agreed to this amount but has offered \$200,000. As at the date of this Prospectus, the Company has not received a response from the Minister on the offer.

The Company has written to the Minister invoking the *force majeure* provisions under both the Act and the PSA in respect of its obligations under the PSA generally, and in respect of the 2D Seismic Survey in particular.

(c) **Secured Amortising Notes Risk**

On 26 March 2020, the Company announced that Noteholders had approved the amendment to certain terms of the Conditions of the Notes.

The Notes (as amended) require financial covenants to be satisfied on either an on-going basis or on specified dates (**Financial Covenants**). This requires the management of the Company to monitor and manage the operations, the financial performance and the funding and capital requirements of the Company to ensure that these Financial Covenants are satisfied.

The raising of funds under the Entitlement Offer and Placement will, in part, be applied by the Company to meet current (June 2020) and short-term Financial Covenants (through to 31 December 2020) and for the payment of amortisation payments and interest payments due 29 June 2020. The application of those funds in the manner contemplated under Use of Funds in section 1.5 are for the purpose of supporting the future financial performance of the Company and the satisfaction of the on-going Financial Covenants.

Even if the Company successfully raises the full amount of funds sought under the Entitlement Offer and Placement, there can be no assurance that default will not occur under the Financial Covenants at some time in the future.

In the event that the Company is unable to comply with the Conditions of the Notes (as amended) and a breach of the Conditions occurs and continues unremedied, then any Noteholder may require redemption of the Secured Amortising Notes held by that Noteholder, and the Note Trustee must (if requested to in writing by Noteholders holding in aggregate 25% or more of the Outstanding Principal Amount, (as defined)) require redemption of all the Secured Amortising Notes. In these circumstances the Secured Amortising Notes would become immediately due and payable. In total this would amount to \$52.25 million (assuming for example that all Secured Amortising Notes had become immediately due and payable). In addition, from the date of the breach until the date on which the breach is remedied the Conditions provide for default interest to be payable at a rate equal to the coupon rate plus 3% per annum. If the Company or the Guarantors (pursuant to the Guarantee given by certain of the Company's subsidiaries in respect of the Notes) could not repay the amount due and payable, then the Security Trustee could exercise its rights under the Security for the benefit of the Noteholders to enforce the Security. This may include appointing receivers to sell assets subject to the Security (and there can be no assurance that there will be at that time an active and liquid market for the assets the subject of the Security or that the market value of the assets will be equal to or greater than the outstanding amount owed in respect of the Notes), and may ultimately result in external administration for the Company. In such circumstances, as the Shareholders will rank behind the secured creditors and other creditors preferred at law in order of priority for payment, it is unlikely that Shareholders would receive any money and accordingly, would result in an entire loss of invested capital.

As noted above, the Company will monitor the on-going financial performance of the Company having regard to the management and satisfaction of on-going Financial Covenants and may, if required, adopt a course of action which seeks to prevent a breach of the Financial Covenants, including, without limitation, any one or a combination of the following actions (noting that some of the following actions are themselves regulated under the Conditions of the Notes):

- (1) the disposal of assets of the Company;
- (2) the entry into joint venture / farm-in arrangements with third parties; or
- (3) the negotiation of further amended Conditions (including the Financial Covenants) with the holders of the Notes.

(d) **Santos Farmin Risk**

While Santos has paid the Company the initial \$15 million pursuant to the Farmin Agreement (the **Initial Payment**), there is no guarantee that the conditions precedent to the payment of subsequent amounts (up to a further \$15 million) will be satisfied.

In addition, if the transfer of the 70% interest in ATP 1087 to Santos is not approved by the relevant government agency, then the Company must refund the Initial Payment to Santos as soon as possible and do all things reasonably necessary to assist Santos to recover the amount of any transfer or stamp duty paid by Santos in respect of the transfer.

(e) **CoEra Transaction Risk**

There can be no guarantee that the acquisition of CoEra from Oilex will ultimately proceed or proceed on the terms currently announced. As noted in section 4.2(a), the share sale agreement governing this transaction is conditional upon a number of conditions precedent that will also need to be satisfied in due course.

While the Company believes that CoEra's assets are prospective, there can be no assurances that the Company's exploration programs relating to such assets, will result in the discovery of a significant gas and/ or associated liquids target, and even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The share consideration proposed to be issued to Oilex constitutes a minimum of 24.5 million shares and a maximum of 34.5 million shares which will have a dilutive effect on Shareholders. The consideration also includes a \$125,000 payment. In addition, should the CoEra Transaction complete, the Company will in due course also be required to fund required expenditure and replace the relevant environmental bonds.

(f) **Regulatory risk and government policy**

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

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

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

(g) **Uncertainty of development of projects and exploration risk**

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

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

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

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

(h) **Health and safety risk**

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

(i) **Insurance risk**

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

(j) **Operational risks and costs**

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

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

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

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

(k) **Competition risk**

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

(l) **Business risks**

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

(m) **Contractual and joint venture risks**

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

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

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

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

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

(n) **Product sales, commodity prices and transportation**

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

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

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

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

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

(o) **Tenements**

A failure to adhere to the requirements to exceed certain levels of expenditure on concessions and tenements held by the Group in various jurisdictions may make certain concessions and tenements subject to possible forfeiture. All granted concessions and tenements (with the exception of ATP 2028 and ATP 2029, and Petroleum Lease 21 (PL21) which are discussed below) are currently in good standing and, in accordance with normal industry practice, the Company surrenders some or all un-prospective parts of its concessions and tenements at the appropriate time so as to manage its minimum expenditure obligations and to retain the capacity to apply for additional prospective areas.

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

On 29 July 2019, the Company lodged 4 applications to declare a potential commercial area over ATP 2028 and on 30 July 2019, the Company lodged a further application to declare a potential commercial area over ATP 2029 (together the **Applications**). On 30 July 2019, the Company lodged a renewal of ATP 2028 and ATP 2029 beyond the maximum statutory period of 12 years (Renewal Applications). Both ATPs took effect on 1 August 2007 and consequently were due to expire on 31 July 2019, however they continue in force by virtue of the PCA Application. Despite the Company making further submissions to the relevant government authority, on 28 May 2020 the Applications were refused. As at the date of this Prospectus the Company has not received a notice of refusal for the Renewal Applications but such a notice is likely to be issued following the end date for the appeal period for the PCA Applications, if the Company does not appeal the decision to refuse the PCA Applications. As at the date of this Prospectus, the Company currently intends to appeal these decisions to the Land Court. There can be no guarantee that such appeal will be successful. If the appeal is not pursued or is unsuccessful, ATP 2028 and ATP 2029 will lapse.

Petroleum Lease PL21 (PL21) was granted on 21 April 1983 and was due to expire on 18 April 2019. By way of transfer of the Kincora assets from Origin to Armour, Armour obtained PL21 on or around September 2015.

On 17 April 2019, the Company made an application to renew the existing PL21 (**PL(A)1071 Application**). This PL(A)1071 Application forms part of a project based Later Development Plan (**LDP**) over the Kincora Project area. However, at the time of the PL(A)1071 Application, the Company has not completed its work program under PL21. On 13 September 2019, the Company received a request for additional information from the DNRME in relation to other petroleum leases

application as part of the Kincora Project and more generally. On 20 November 2019 the Company provided information to DNRME in response to the notices.

At the date of this Prospectus, DNMRE have not yet provided a response on the PL(A)1071 Application (or the rest of the LDP). In the event that the PL(A)1071 Application is approved, it is possible that conditions may be attached to the PL(A)1071 Application in respect of the uncompleted work program for PL21. In the event that DNRME rejects the PL(A)1071 Application, PL21 may be at risk of forfeiture, subject to any review or appeal rights the Company may have under the relevant legislation.

(p) **Unforeseen expenses**

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

(q) **Additional requirements for capital**

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

- (1) the continuation of receipt of operating revenue from producing wells;
- (2) the outcome of the Company's exploration programs; and
- (3) successfully accessing all of the GAP funding,

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

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

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

(r) **Contractors**

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

(s) **Reliance on key personnel and employees**

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

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

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

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

(t) **Investment speculative**

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

(u) **Australian Native Title risk and Aboriginal Cultural Heritage**

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

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

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

(v) **Environmental risks**

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

(w) **Funding**

The Company must undertake significant capital expenditures in order to conduct its development appraisal and exploration activities. Limitations on the access to adequate funding could have a material adverse effect on the business, results from operations, financial condition and prospects. The Company's business and, in particular development of large-scale projects, relies on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available on acceptable terms or at all.

Furthermore, should the Company be able to access debt there is a risk of default, either where the Company cannot make the required payments or from a 'technical default' in which certain conditions of the existing debt securities are not met, which may result in a range of actions being undertaken by any secured lender, including the appointment of administrators or receivers.

The Company endeavours to ensure the best source of funding is obtained to maximise shareholder value, having regard to prudent risk management supported by economic and commercial analysis of all business undertakings.

Eligible Shareholders should be aware that there is no guarantee that any further funding will be obtained by the Company pursuant to the Conditional Placement or the anticipated asset transactions (see sections 2.20 and 8.10 for further details).

(x) **Institutional Entitlement Option Offer Risk**

The New Options will constitute a new class of listed securities and accordingly are required to meet the requirements for quotation contained in the ASX Listing Rules. Relevantly, the ASX Listing Rules require in the case of quotation for additional securities which convert to Shares, that there to be a sufficient number of securities and holders of such securities (at least 100,000 securities and 50 holders with a Marketable Parcel excluding restricted securities). At the point of issue of the New Options the subject of the Institutional Entitlement Offer it is unlikely that there will be a sufficient number of holders by number and accordingly, it is likely that quotation will not be granted of such Institutional New Options until the settlement of the New Options the subject of the Retail Offer.

(y) **Kincora Project Reliance Risk**

The Company's key operating asset is the Kincora Project which restarted production in December 2017. The Company derives significant operating revenues from the Kincora Project.

The Company's operations at the Kincora Project may from time to time be hampered on occasions by unforeseen operating risks. Should an event occur which forced the closure of, or otherwise disrupted or interrupted, the Kincora Gas Plant for a material period of time, it would likely have a significant impact on the Company's commercial contracts and the operating revenue and ultimate funds available to the Company.

In particular, events such as force majeure events, power outages, critical equipment or pipe failures, and environmental hazards such as noise, odours, gas leaks, hazardous substances spills, other weather events, industrial accidents and other accidents, unforeseen cost changes and other incidents beyond the control of the Company could negatively impact on the Company's activities at the Kincora Project, thereby affecting its profitability and ultimately, the value of its securities.

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

6.3 **General Risks**

(a) **Dilution**

Shareholders should be aware that:

- (1) as a result of the Placement, Shareholders who accept only their Entitlement and do not apply for any Additional New Shares under the Entitlement Shortfall Facility will have their interest in the Company diluted;
- (2) to the extent that Eligible Shareholders do not accept their Entitlements in full, an Entitlement Shortfall will arise and will be allocated to the Underwriter or other Eligible Shareholders, in which case their interest in the Company may be significantly diluted (see section 5.4 for further details); and

- (3) Shareholders with registered addresses outside of Australia, New Zealand, Singapore, Jersey and Hong Kong will not be able to participate in the Retail Entitlement Offer and the holdings of those Ineligible Shareholders will be diluted by the Entitlement Offer.

Given the terms of the Entitlement Offer, including the fact that it is fully underwritten and is being conducted in conjunction with the Placement, the interests of a Shareholder in the Company may be diluted by up to 37% in the event that they are not eligible to participate or elect not to accept their Entitlement in full.

If an Eligible Shareholder accepts their Entitlement in full and does not apply for Additional New Shares (or applies for Additional New Shares but does not receive any Additional New Shares), their interests in the Company may be diluted by up to 12%.

Both of these calculations assume that none of the Option Holders exercise their Existing Options.

Acceptance of Entitlements or the allocation of any Entitlement Shortfall may also result in existing Shareholders or new investors significantly increasing their interest in the Company or obtaining a substantial interest in the Company. However, the Entitlement Shortfall will only be placed to the extent that such placement is in compliance with the takeover provisions of the Corporations Act, which restrict a person and their associates from having a relevant interest in the Company of not more than 19.99%, subject to a number of exemptions.

Further, as noted in section 2.20, subject to obtaining shareholder approval, the Company intends to proceed with the issue of further Shares and Options following the completion of the Entitlement Offer. To the extent that such issues proceed, this will further dilute Eligible Shareholders interests.

(b) **Share Market Risk**

The market price of listed securities can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resources sector and exploration companies in particular. The New Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of factors (both national and international) that may affect the share market price and neither the Company nor its Directors have control of those factors.

(c) **General Economic Conditions**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, inflation, supply and demand, industrial disruption and other economic factors. The price of commodities will also be of particular relevance to the Company. These factors are beyond the control of the Company and the Company cannot, with any degree of certainty, predict how they will impact on the Company.

(d) **Industrial Risk**

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

(e) **Management actions**

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the

Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

(f) **Taxation and royalties**

In all places where the Company has operations, in addition to the normal level of income tax imposed on all industries, the Company may be required to pay government royalties, indirect taxes, goods and services tax and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

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

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

(g) **Legislative change**

Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of the Company.

(h) **Foreign exchange**

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

(i) **Resource estimates**

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

(j) **Speculative nature of investment**

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

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

7. Material Contracts

7.1 Engagement Letter and Underwriting Agreement

By an agreement between the Underwriter and the Company (the **Engagement Letter**) the Underwriter has agreed to act as lead manager and underwriter in respect of the Entitlement Offer and the Placement. The Underwriter is an entity controlled by Mr Stephen Bizzell, a Non-Executive Director of the Company and so a 'related party' of the Company under the Corporations Act. After consultation with the Underwriter, JB Advisory has been appointed as joint lead manager to the Placement and Conditional Placement. Further joint underwriters and joint lead managers may be appointed after consultation between the Underwriter and the Company.

The responsibilities of the Underwriter pursuant to the terms of the Engagement Letter include:

- (a) arranging and lead managing the Entitlement Offer and the Placement;
- (b) advising the Company on the appropriate strategy and timing for the Entitlement Offer and the Placement;
- (c) determining key investor issues and coordinating appropriate responses / information in order to mitigate these issues;
- (d) assistance in preparation of Offer documentation;
- (e) identifying the key selling messages and marketing the Entitlement Offer and the Placement to investors;
- (f) assistance in the preparation of relevant ASX releases;
- (g) (in conjunction with the Company's legal advisors) assisting in any dealings with the ASX and ASIC;
- (h) liaising with legal, accounting, and other advisors to ensure a timely and effective equity raising structure;
- (i) coordinating the bids into the sub-underwriting book and determining the final sub-underwriting allocations; and
- (j) providing such other assistance to the Company with the Entitlement Offer and the Placement as agreed from time to time.

Under the terms of a further agreement between the Company and the Underwriter (the **Underwriting Agreement**), the Underwriter has agreed to fully underwrite the Entitlement Offer to the amount of \$4,527,948 (the **Underwritten Amount**).

Under the terms of both the Engagement Letter and the Underwriting Agreement, the Company will pay the Underwriter the following fees:

- (a) *Management Fee*: 1% of the total amount raised by the Company under the Entitlement Offer, the Placement and the Conditional Placement;
- (b) *Underwriting Fee*: 5% of the value of all Shares underwritten and issued under the Entitlement Offer (being approximately \$226,397)

- (c) *Placement Fee*: 5% of the value of all new Shares issued pursuant to the Placement and the Conditional Placement; and
- (d) *Option Fee*: the Company must issue to the Underwriter or its nominees the Underwriter Options representing 4 Options for every \$1 of the Underwritten Amount and the amount raised pursuant to the Placement and Conditional Placement, subject to Shareholder approval.

In addition, the Underwriter is entitled to be reimbursed for its legal costs (capped at \$10,000) and other reasonable expenses incurred in connection with Entitlement Offer.

Subject to compliance with the Listing Rules, the Underwriter may set-off all amounts payable to the Underwriter under the Underwriting Agreement against any payment obligation owed by the Underwriter or its Related Corporations or Affiliates to the Company (including in relation to the subscription for New Shares).

The Underwriter also agrees that for amounts sub-underwritten in respect of the Entitlement Offer or subscribed for in the Conditional Placement by either DGR Global or Samuel, it will pay to the relevant party, the full relevant Underwriting Fee and Option Fee. The Underwriter also agrees that for amounts subscribed by clients of JB Advisory in the Placement or Conditional Placement it will pay (or direct the Company to pay) to JB Advisory the full relevant Management Fee, Placement Fee and Option Fee in relation to such amounts. At the direction of the Underwriter, the Company will issue the relevant Underwriter Options to DGR Global, Samuel or JB Advisory as the case may be, in each case subject to Shareholder approval.

The Company has given indemnities, warranties and covenants to the Underwriter which are of a type and form that is usual in, as the case may be, an Engagement Letter or Underwriting Agreement of this type.

As regards the terms of the Underwriting Agreement in particular (and using same the same definitions and clauses as in the Underwriting Agreement):

Conditions precedent

The Underwriter's obligations to subscribe for Shares from the Shortfall is conditional on the Company providing the Underwriter with a Shortfall Notice and Closing Certificate on the Shortfall Notification Date in accordance with the terms of the Underwriting Agreement.

Termination

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

- (a) **S & P/ASX 200 Index fall**: if the S & P/ASX 200 Index is, at any time for 5 consecutive Business Days after the date of this Agreement, prior to the Allotment Date more than 10% below the level of that Index at the close of ASX trading on the Trading Day before the date of lodgement of the Offer Document;
- (b) **adverse change**: any material adverse change occurs in the assets, liabilities, share capital, share structure, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company) from those respectively disclosed in the Accounts, Offer Document or the Public Information, including:
 - (1) any material adverse change in the reported earnings or future prospects of the Company or an entity in the Group;

- (2) any material adverse change in the nature of the business conducted by the Company or an entity in the Group; or
 - (3) the insolvency or voluntary winding up of the Company or an entity in the Group or the appointment of any receiver, receiver and manager, liquidator or other external administrator; or
 - (4) any material adverse change to the rights and benefits attaching to Shares; or
 - (5) any change that may have a Material Adverse Effect.
- (c) **withdrawal:** The Company withdraws the Offer Document or terminates the Entitlement Offer;
- (d) **repayment:** any circumstance arises after lodgement of the Offer Document that results in the Company either repaying the money received from applicants (other than to applicants whose applications were not accepted in whole or in part) or offering applicants an opportunity to withdraw their applications for New Shares the subject of the Entitlement Offer and be repaid their application money; or
- (e) **no certificate:** The Company does not provide a Closing Certificate in the manner required under the Underwriting Agreement;
- (f) **capital structure:** other than as contemplated by the Offer Document, the Company or any Related Body Corporate of the Company takes any steps to alter its capital structure without the prior written consent of the Underwriter;
- (g) **judgment:** a judgment in an amount exceeding \$100,000 is obtained against the Company or a Related Body Corporate of the Company and is not set aside or satisfied within 21 days;
- (h) **process:** any distress, attachment, execution or other process of a Governmental Agency in an amount exceeding \$100,000 is issued against, levied or enforced upon any of the assets of the Company or a Related Body Corporate of the Company and is not set aside or satisfied within 21 days;
- (i) **financial assistance:** The Company or a Related Body Corporate passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter;
- (j) **suspends payment:** The Company or a Related Body Corporate of the Company suspends payment of its debts generally;
- (k) **insolvency:** The Company or a Related Body Corporate of the Company is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act) or is presumed to be insolvent under the Corporations Act;
- (l) **arrangements:** The Company or a Related Body Corporate of the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (m) **ceasing business:** other than as contemplated by the Offer Document, the Company or a Related Body Corporate of the Company ceases or threatens to cease to carry on business;
- (n) **disclosures in the Offer Document:** a statement contained in the Offer Document is materially misleading or deceptive, or a matter required by the Corporations Act is omitted from the Offer Document;

- (o) **market conditions:** any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or in the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter reached in good faith after consultation with the Company, it is impracticable to market the Entitlement Offer or to enforce contracts to issue, allot or transfer the New Shares or that the success of the Entitlement Offer is likely to be adversely affected;
- (p) **disclosures in Due Diligence Questionnaire:** any information supplied by or on behalf of the Company to the Underwriter in relation to the Group or the Entitlement Offer as part of the due diligence process is or becomes materially misleading or deceptive;
- (q) **material contracts:** termination (other than those that terminate due to the effluxion of time) or a material amendment of any material contract of the Company in both cases which have a material adverse effect on the Company;
- (r) **hostilities:** hostilities political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Indonesia, Singapore, Malaysia, Hong Kong, North Korea or the Peoples Republic of China or a significant terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (s) **general trading suspensions:** trading in securities generally has been suspended or materially limited, for at least one trading day, by any of the New York Stock Exchange, the London Stock Exchange or the ASX;
- (t) **change in management:** a change in the board of Directors of the Company occurs to which the Underwriter does not consent within 5 Business Days of the change, which consent shall not be unreasonably withheld or delayed;
- (u) **legal proceedings and offence by Directors:** any of the following occurs:
 - (1) material legal proceedings are commenced against the Company; or
 - (2) any Director is disqualified from managing a corporation under section 206A Corporations Act; or
- (v) **change to constitution:** other than as contemplated by the Offer Document, prior to the Allotment Date, a change to the constitution of the Company or the Company's capital structure occurs without the prior written consent of the Underwriter;
- (w) **compliance with regulatory requirements:** a material contravention by the Company or any entity in the Group of the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation;
- (x) **Offer Document to comply:** The Offer Document or any aspect of the Entitlement Offer does not materially comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (y) **notifications:** any of the following notifications are made:
 - (1) an application is made by ASIC for an order under Part 9.5 Corporations Act in relation to the Offer Document or ASIC commences any investigation or hearing under Part 3 *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer Document; and

- (2) the Company or an entity in the Group issues a public statement concerning the Entitlement Offer which has not been approved by the Underwriter as provided for in the Underwriting Agreement; or
- (z) **breach:** The Company breaches any of their material obligations under this Agreement;
- (aa) **representations and warranties:** any representation or warranty contained in this Agreement on the part of the Company is breached or becomes false, misleading or incorrect to a material extent;
- (bb) **prescribed occurrence:** an event specified in section 652C(1) or section 652C(2) Corporations Act, but replacing 'target' with 'Company'; or
- (cc) **timetable:** an event specified in the Timetable is delayed for more than 3 Business Days other than as the result of actions taken by the Underwriter (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the Underwriter' prior consent).
- (dd) **change in laws:** any of the following occurs which does or is likely to prohibit, materially restrict or regulate the Entitlement Offer or materially reduce the likely level of valid Applications or materially affects the financial position of the Company or has a Material Adverse Effect of the success of the Entitlement Offer:
 - (1) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia; or
 - (2) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory or the Reserve Bank of Australia;
- (ee) **failure to comply:** The Company or any Related Body Corporate of the Company fails to comply with any of the following:
 - (1) a provision of its Constitution;
 - (2) any statute; and
 - (3) any Agreement entered into by it.

7.2 Sub-Underwriting Agreement

The Underwriter has entered into sub-underwriting agreements with each of Samuel and DGR Global. The Underwriter also currently intends to seek to appoint additional unrelated sub-underwriters.

The key terms of the Sub-Underwriting Agreement with Samuel are:

- (a) as a sub-underwriter, Samuel has agreed to sub-underwrite up to 60,933,755 New Shares of the Shortfall, on the basis that no New Shares will be issued to Samuel that would result in Samuel and its Associates (including Nicholas Mather) holding a relevant interest in, an aggregate of no more than 20% of the Voting Power of the Company following the issue and allotment of all New Shares (however such limitation does not reduce the obligation of Samuel to procure applications from third parties for such New Shares);
- (b) Samuel will receive a fee of 5% of the sub-underwritten amount from the Underwriter; and
- (c) the Company will issue to Samuel (at the direction of and as the Underwriter's nominee) 4 Underwriter Options for every \$1 of the sub-underwritten amount, subject to Shareholder approval.

Samuel will not take part in the Placement (but may, subject to Shareholder approval take place in the Conditional Placement).

The sub-underwriting commitment of Samuel will be reduced to the extent Tenstar Trading Limited, Samuel Capital Pty Ltd or Samuel or any of their associates take up their Entitlements.

The key terms of the Sub-Underwriting Agreement with DGR Global are:

- (a) as a sub-underwriter⁴, DGR has provided a firm commitment to subscribe for 37,499,904 New Shares under the Entitlement Offer either through the Institutional Entitlement Offer, Retail Entitlement Offer or a combination of both having regard to regulatory requirements;
- (b) DGR Global will receive a fee of 5% of the sub-underwritten amount from the Underwriter;
- (c) DGR Global will not take part in the Placement (but may, subject to Shareholder approval take place in the Conditional Placement); and
- (d) the Company will issue to DGR Global (at the direction of and as the Underwriter's nominee) 4 Underwriter Options for every \$1 of the sub-underwritten amount, subject to Shareholder approval.

7.3 Joint lead manager agreement with JB Advisory

By an agreement between JB Advisory and the Company (**JB Advisory Mandate**) JB Advisory has agreed to act as joint lead manager in respect of the Placement and the Conditional Placement. The term of the appointment is 12 months.

The responsibilities of JB Advisory pursuant to the terms of the JB Advisory Mandate include:

- (a) further familiarisation with the business of the Company, corporate access, site visits, etc;
- (b) assist in preparing the marketing materials;
- (c) provide introductions to institutional and high net worth clients of JB Advisory;
- (d) provide corporate advisory services with respect to proposed corporate transactions including structuring, timing, pricing and execution;
- (e) consider and advise on market sentiment and impact of proposed capital raising;
- (f) completion of due diligence and management questionnaires for proposed capital raising;
- (g) joint lead manager of the book of bids, finalise allocations with company management and coordinate the settlement process;
- (h) provision of corporate advice at Board meetings where required;
- (i) provision of market insights and trading;
- (j) provision such other assistance to the Company as agreed from time to time; and

⁴ The sub-underwriting arrangement from DGR Global is on a firm in relief basis. This means that DGR Global's sub-underwriting commitment will be extinguished to the extent that it accepts its Entitlement under the Entitlement Offer.

- (k) advise and assist on the possible further capital raising requirements in relation to the fulfilling the distribution going forward.

Under the terms of the JB Advisory Mandate, the Company will pay JB Advisory the following fees:

- (a) a management fee equal to 1% plus GST of all funds raised by JB Advisory in the Placement or Conditional Placement;
- (b) a capital raising fee of 5% plus GST for all funds raised by JB Advisory in the Placement or Conditional Placement; and
- (c) JB Advisory (or nominees) will be entitled to Underwriter Options representing 4 Options for every \$1 of the amount raised by JB Advisory under Placement and the Conditional Placement, subject to Shareholder approval.

The fees payable as set out above, will be satisfied by way of direction from the Underwriter's fees as set out in section 7.1. In addition, JB Advisory is entitled to be reimbursed for all approved and reasonable expenses incurred.

The Company has given indemnities to JB Advisory which are of a type and form that is usual in, as the case may be, a lead manager mandate of this type.

Success Fee

Also under the JB Advisory Mandate, on the completion of the CoEra Transaction (refer to sections 4.2(a) and 7.5 for further information), the Company agrees to issue JB Advisory, and or its associates as directed:

- (a) a fee of \$50,000, such fee to be payable at the Company's election in shares upon the same terms and price as the Placement Shares; and
- (b) 10,000,000 Options on the same terms as the New Options.

All shares and options are to be issued within 3 months of completion of the acquisition. Shareholder approval will be required for the issue of shares and options as part of the success fee.

7.4 Uganda Oil Project

The Company 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 Company applied for renewal of the Ugandan Licence. On 13 September 2019 the Ugandan Government announced that subject to the Company 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.

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.

Under the Renewal Conditions, the Company must (amongst other things):

- (a) complete a Minimum Work Program defined in the PSA for each of the First Exploration Period (a 2D seismic survey of the Kanywataba Block (**2D Seismic Survey**)) 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 2D Seismic Survey was not completed by expiry of the First Exploration Period due to inclement weather, and in part due to difficulties in obtaining the necessary dynamite. The total amount which must be spent in order to meet this outstanding commitment is approximately US\$1.5 million.

The other two Renewal Conditions are:

- (a) the provision of a further Uganda Licence Performance Guarantee for the renewed term, in an amount to be agreed; and
- (b) the relinquishment of some of the blocks the subject of the Ugandan Licence following the results of the 2D Seismic Survey (**Relinquishment**).

The Company is of the view that neither the Ugandan Licence, the PSA, nor the Petroleum Act mandate that a Ugandan Licence Performance Guarantee is required for the remainder of this term of the Ugandan Licence. Nonetheless, the Company and the Ugandan Government are negotiating the amount of such a performance guarantee should one be required. The Ugandan Government initially stated that it would require the Ugandan Licence Performance Guarantee to be in the amount of US\$990,000. The Company has not agreed to this but has instead offered US\$200,000. As at the date of this Prospectus, the Company has not received a response from the Minister on the offer.

As regards Relinquishment, the Company has proposed the PSA be amended so that it will not be required to undertake any further work on the blocks the subject of the Ugandan Licence, should the results of the 2D Seismic Survey be unfavourable. The Ugandan Government has not responded to these proposals as at the date of this Prospectus. Notwithstanding that proposal, the Company's geophysicists and geologists believe that the existing exploration work, including reprocessed 2D seismic surveys undertaken at the Kanywataba Block, by previous tenement holders and subsurface re-evaluation conducted by the Company's geological staff is encouraging and supports ongoing exploration.

On 25 March 2020, the Petroleum Authority wrote to the Company informing it that it was required by the Regulations to submit a proposed work program and budget for the calendar year 2020 (the **2020 Annual Budget & Work Program**).

On 9 April 2020, the Company wrote back to the Petroleum Authority indicating that the Company would not be in a position to prepare the 2020 Annual Budget & Work Program until such time as it had results from the 2D Seismic Survey.

On 9 April 2020, the Company also wrote to the Minister invoking the *force majeure* provisions under section 188 of the Act and the PSA, in respect of all its obligations under the PSA generally, and its obligations to complete the 2D Seismic Survey in particular. The Event of Force Majeure (as defined in the Company's letter) is the COVID-19 pandemic which has disrupted and, in some cases, ceased supply chains and international travel, thus making it impossible for Armour's personnel to travel to Uganda to supervise the 2D Seismic Survey.

As at the date of this Prospectus, the Company has not received a response from either the Minister or the Petroleum Authority.

7.5 CoEra Agreement

The Company and Oilex entered into a share sale agreement (**SPA**) for the purchase by the Company of 100% of the shares in CoEra, a wholly owned subsidiary of Oilex which holds all of Oilex's permits and assets in the Cooper Basin.

The SPA was executed on 15 June 2020, replaces the previous Oilex term Sheet (which terminated on execution of the SPA) and possess the following key terms and conditions:

- (a) Oilex will sell to the Company 100% of the shares in CoEra.
- (b) Consideration for the sale comprises:
 - (1) on completion, the issue by the Company of 24,500,000 fully paid ordinary shares in the Company (which will be subject to any necessary shareholder or regulatory approvals and will be subject to a 12 month voluntary escrow);
 - (2) within 90 days of completion, the issue of additional shares as an adjustment to result in an equivalent value of A\$906,500 if the VWAP of Company shares is below \$0.037 for a period of 90 days from the deal announcement to the ASX (capped at 10,000,000 shares and subject to any necessary shareholder or regulatory approvals and will be subject to a 9 month voluntary escrow); and
 - (3) on completion, a payment of \$125,000.

Completion under the SPA remains subject to a number of conditions precedent, including:

- (a) completion of an assignment by Oilex of an option granted to Oilex by Terra Nova Energy (Australia) Pty Ltd to acquire the remaining interest in several petroleum exploration licences, with the assignment of the option being made to Holloman Petroleum Pty Ltd, a wholly owned subsidiary of CoEra;
- (b) completion of the novation of an agreement with Senex Limited for the acquisition of certain petroleum exploration retention licences, to be novated to CoEra, and entry into various deeds of assignment or assumption in that respect;
- (c) receipt of formal notice from the Government of South Australia that a particular Cooper Basin licence (Cooper Basin 2019 – Block C) is the subject of a pending award to CoEra;
- (d) Shareholder approval being obtained for the issue of the consideration shares.

The conditions above must be satisfied on or before 15 September 2020 (unless the parties agree otherwise), or the SPA may be terminated. The SPA may otherwise be terminated if a party is in default of certain obligations, and does not satisfy those obligations within 5 days from being given notice by the other party.

7.6 Services Agreement with Brad Lingo

As announced by the Company on 15 June 2020, the Company has appointed Brad Lingo as the Company's CEO. Refer to section 4.4 of the Prospectus for further biographical information for Mr Lingo.

The appointment has been made by way of an executive services agreement (**Executive Services Agreement**), executed on 15 June 2020 and running until terminated.

Under the Executive Services Agreement, Mr Lingo will receive an initial monthly compensation of \$23,000 plus superannuation (subject to review or as otherwise agreed between the parties from time to time), along with a mobile phone, laptop, travel expenses and an allowance of \$1,600 per month towards maintenance of an office in Sydney.

Mr Lingo is also entitled to (subject to the obtainment of any required ASX and/or shareholder approvals) 7.2 million performance shares, on the achievement of the following criteria:

No	Performance Criteria	Number of Performance Shares
1.	On the first Commercial Discovery in the Co-Era Assets being determined in accordance with recognised standards in the oil and gas industry and announced by the Company	900,000
2.	The VWAP for Shares trading on ASX for 20 consecutive days is not less than 500% over the closing price for Shares on the last trading day before the Commencement Date.	1,800,000
3.	The Board approving the entering into of a farm-out or other commercial agreement in respect of the NT Assets.	1,350,000
4.	The Board approving a refinancing of the FIIG Notes.	1,350,000
5.	The Company achieving a stabilised flow rate of in excess of 14TJ's per day from the Kincora Gas Project	900,000
6.	On the first Commercial Discovery on any Licences other than; (a) The Kincora Gas Project; and (b) The exploration and production licences held by CoEra and its subsidiaries.	900,000

The Board may determine that the Mr Lingo shall be entitled to receive a bonus payment of \$100,000 (calculated on an annual basis unless otherwise agreed by the Board) based on the following weighted KPI's

- (a) The Board approving a debt or equity refinancing of the Secured Amortising Notes (Contribution percentage 50%)
- (b) The Company achieving a stabilised flow rate of in excess of 14TJ's per day from the Kincora Gas Project (Contribution percentage 25%)
- (c) The Board approving the entering into of a farm-out or other commercial agreement in respect of the Company's exploration and production licences in the Northern Territory (Contribution percentage 25%)

The Board may from time to time determine that Mr Lingo shall be entitled to be further rewarded and incentivized through the grant of short and long term incentives upon such terms as may be determined by the Board, acting reasonably.

The Company has also permitted Mr Lingo to spend 20 hours per week in certain specified third-party engagements.

Mr Lingo may terminate the Executive Services Agreement by giving the company 6 months prior notice (provided that no such notice may be given prior to 21 July 2021), or immediately if there occurs a significant diminution of the job content, status, responsibilities or authority.

The Company may terminate the Executive Service Agreement by giving 6 months' notice (provided that no such notice may be given prior to 1 July 2021 and that the Company may make a payment of Mr Lingo's salary and benefits in lieu of notice), in which case will make a termination payment to Mr Lingo of the maximum amount permitted under s200F of the Corporations Act. The Company may also terminate the Executive Services Agreement at any time for cause (including in the event of serious misconduct).

8. Additional information

8.1 Transaction specific prospectus

The Company is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the *Corporations Act*. Under those obligations, the Company is obliged to comply with all applicable continuous disclosure and reporting requirements in the ASX Listing Rules.

This Prospectus is issued under section 713 of the *Corporations Act*. This section enables disclosing entities to issue a prospectus in relation to securities in a class of securities which has been quoted by ASX at all times during the three months before the date of the Prospectus or options to acquire such securities. Apart from formal matters this Prospectus need only contain information relating to the terms and conditions of the Offers, the effect of the Offers on the Company and the rights and liabilities attaching to the Securities offered.

Copies of the documents lodged by the Company with ASIC may be obtained from or inspected at an office of ASIC.

The Company will provide a copy of any of the following documents, free of charge, to any person who asks for a copy of the document before the Closing Date in relation to this Prospectus:

- (a) annual financial report for the period ending 30 June 2019;
- (b) reviewed half-yearly financial statements for the Company for the periods ending 31 December 2018 and 31 December 2019; and
- (c) any other financial statements lodged in relation to the Company with ASIC and any continuous disclosure notices given by the Company to ASX, in the period starting immediately after lodgement of the annual financial report for the Company for the period ended 30 June 2019 and ending on the date of lodgement of this Prospectus with ASIC.

8.2 ASX Information and Share information

The ASX Announcements that the Company has made since 30 September 2019 are set out in Appendix A of this Prospectus. Copies of ASX announcements made by the Company may be obtained on the ASX website or the Company's website: www.armourenergy.com.au.

The highest and lowest prices of the Shares on the ASX in the six-month period before the date of this Prospectus and the respective dates of those sales are set out below.

	High (cents)	Low (cents)	Volume weighted average (cents)
One month	3.2	2.6	2.8
Three months	4.4	2.4	3.1
Six months	6.6	2.4	4.0

The last market sale price of Shares as at 12 June 2020, the last trading day before lodgement, was \$0.028.

8.3 Rights and liabilities attaching to New Shares

The rights attaching to ownership of the New Shares will be the same as those attaching to all existing Shares on issue and are set out in the Company's Constitution, a copy of which is available for inspection at the registered office of the Company during business hours and on the Company's Website. The following is a summary of the principal rights of holders of the New Shares, subject to any special rights attaching to any class of share at a future time. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders.

(a) Voting

At a general meeting of the Company on a show of hands, every member present in person or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

(b) Dividends

The Shares will rank equally with all other issued Shares in the capital of the Company and may participate in dividends from time to time. Subject to the rights of holders of Shares of any special preferential or qualified rights attaching thereto, dividends are payable amongst the holders of Shares in proportion to the amounts paid up on such Shares respectively at the date of declaration of the dividend. The Directors may from time to time pay to Shareholders such final and interim dividends as in their judgment the position of the Company justifies.

(c) Winding up

Upon accepting the Entitlement to New Shares and paying the Application Money, Shareholders will have no further liability to make payments to the Company in the event of the Company being wound up pursuant to the provisions of the Corporations Act.

(d) Transfer of Securities

Generally, the Shares will be freely transferable, subject to satisfying the usual requirements of security transfers on ASX. The Directors may decline to register any transfer of Shares, but only where permitted to do so under its Constitution and the Listing Rules (as applicable).

(e) Future increases in capital

The allotment and issue of any New Shares is under the control of the Directors. Subject to the Listing Rules, the Company's Constitution and the Corporations Act, the Directors may allot or otherwise dispose of New Shares on such terms and conditions as they see fit.

(f) Small Holder Disposal

The Company may take steps in respect of non-marketable holdings of Shares in the Company to effect an orderly sale of those Shares in the event that holders do not take steps to retain their holdings.

The Company may only take steps to eliminate non-marketable holdings in accordance with the Constitution and the Listing Rules. For more particular details of the rights attaching to Shares in the Company, investors should refer to the Constitution of the Company.

For more particular details of the rights attaching to ordinary shares in the Company, investors should refer to the Constitution of the Company.

8.4 **New Option terms**

The New Options will be issued:

- (a) for no cash consideration;
- (b) with an exercise price of \$0.05 for each New Option;
- (c) with an expiry date of 29 February 2024 unless earlier exercised; and
- (d) otherwise on the terms and conditions set out in Schedule 1.

8.5 **Corporate Governance**

The Company has adopted a Corporate Governance Charter which can be obtained, at no cost, from the Company's registered office and is also available on the Company's Website.

The Company reports on its compliance with the recommendations made by the Corporate Governance Principles and Recommendations annually. Where the Company's corporate governance practices do not correlate with the practices recommended by the ASX Corporate Governance Council, the Company is working towards compliance however it does not consider that all practices are appropriate for the Company due to the size and scale of the Company operations.

8.6 **Directors' interests**

The nature and extent of the interest (if any) that any of the Directors of the Company holds, or held at any time during the last two years in:

- (a) the formation or promotion of the Company;
- (b) property acquired or to be acquired by the company in connection with:
 - (1) its formation or promotion;
 - (2) the Entitlement Offer; or
- (c) the Entitlement Offer,

is set out below or elsewhere in this Prospectus.

Other than as set out below or elsewhere in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit to any director or proposed director:

- (a) to induce them to become, or to qualify as, a Director of the Company; or
- (b) for services provided by a director in connection with:
 - (1) the formation or promotion of the Company; or
 - (2) the Entitlement Offer.

Set out below are details of the interest of the Directors (and their Associates) in the securities of the Company immediately prior to lodgement of the Prospectus with the ASIC. Interest includes those securities held

directly and indirectly. The table does not take into account any New Shares the Directors may acquire under the Entitlement Offer.

Director	No of Shares	No of Options	No of Notes
Nicholas Mather	3,647,968	Nil	Nil
Stephen Bizzell	1,659,051	Nil	100
Roland Sleeman	58,333	Nil	Nil
Eytan Uliel	Nil	Nil	Nil

8.7 Directors' Fees

The total maximum remuneration of non-executive Directors is set by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

A Director may be paid fees or other amounts as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

As announced to the ASX on 27 April 2020, in response to the Covid-19 pandemic from 27 April 2020 the Executive Chairman and Non-Executive Directors will reduce their fees by 20%. This reduction is anticipated to be in place for a period of 6 months and will be reviewed as required. Future consideration will be given to the partial payment of Director fees in shares, subject to any necessary shareholder and regulatory approvals.

Set out below is the remuneration paid to the current Directors of the Company and their associated entities for the past two financial years.

Directors' remuneration for the financial year ended 30 June 2019:

Director	Salary/Fees/Non-cash benefits	Equity Settled Shares	Superannuation	Total
Nicholas Mather	210,000	0	0	210,000
Stephen Bizzell	50,000	0	0	50,000
Roland Sleeman	50,000	0	0	50,000
Eytan Uliel	50,000	0	0	50,000
William (Bill) Stubbs*	20,833	0	0	20,833

*Mr Stubbs retired on 27 November 2018.

Directors' remuneration for the financial year ended 30 June 2018:

Director	Salary/Fees/Non-cash benefits	Equity Settled Shares	Superannuation	Total
Nicholas Mather	210,000	0	0	210,000
Stephen Bizzell	50,000	0	0	50,000
Roland Sleeman	50,000	0	0	50,000
Eytan Uliel*	29,167	0	0	50,000
William (Bill) Stubbs	50,000	0	0	50,000
Matthew Beach**	47,848	0	0	47,848

*Mr Uliel was appointed on 20 November 2017.

**Mr Beach resigned on 16 May 2018.

The Board considers that these fees are reasonable remuneration pursuant to section 211 of the Corporations Act and accordingly, member approval is not required.

Details of the intention of Directors to participate in the Entitlement Offer is set out in section 1.9.

8.8 Related party transactions

From time to time the Company may be party to transactions with related parties including:

- (a) employment and service arrangements; and
- (b) payment of Directors fees; and
- (c) the issue of options.

The Company believes that it has made appropriate disclosure of past related party transactions and other than any further disclosure specifically set out below or made elsewhere in this Prospectus does not intend to make any further disclosure of such transactions which transactions will have either proceeded on an “arm’s length” basis, reasonable remuneration basis or been approved by shareholders in general meeting.

The Company discloses the following transactions with related parties which have either proceeded on an “arm’s length” or reasonable remuneration basis or have been approved by Shareholders in general meeting. The transactions are:

- (a) employment agreement with Samuel Holdings Pty Ltd and remuneration payable to the Executive Chairman, Nick Mather pursuant to that agreement;
- (b) letter of appointment with the non-executive Directors being Stephen Bizzell, Roland Sleeman and Eytan Uliel;
- (c) the issue of 8,000,000 Options to Bizzell Capital Partners approved at the Annual General Meeting of Shareholders on 26 November 2019; and
- (d) the Underwriting Agreement.

The Board considers that the remuneration and benefits under (a) and (b) are reasonable remuneration pursuant to section 211 of the Corporations Act and accordingly, member approval is not required. The issue of Options under (c) has been approved by shareholders. In respect of the Underwriting Agreement, it has

been negotiated on an arm's length basis and contains standard commercial terms and conditions for a firm underwriting agreement for a capital raising of this size and type.

Payment of Non-Executive Director fees

Each of the Non-Executive Directors of the Company (being Stephen Bizzell, Roland Sleeman and Eytan Uliel) are entitled to be paid a directors' fee in the amount of \$50,000 per annum.

This amount has been reduced to \$40,000 per annum, from 27 April 2020 due to COVID-19. This will be reviewed in approximately 6-months' time.

The Board considers that these fees are reasonable remuneration pursuant to section 211 of the Corporations Act and accordingly, member approval is not required.

8.9 Interests of experts and advisers

This section applies to persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoters of the Company and stockbrokers or arrangers (but not sub-underwriters) to the Entitlement Offer (collectively **Prescribed Persons**).

Other than as set out below or elsewhere in this Prospectus, no Prescribed Person has, or has had in the last two years, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired in connection with the formation or promotion of the Company; or
- (c) the offer of New Securities under this Prospectus.

Other than that, as set out below or elsewhere in this Prospectus, no benefit has been given or agreed to be given to any Prescribed Person for services provided by a Prescribed Person in connection with the:

- (a) formation or promotion of the Company; or
- (b) offer of New Securities under this Prospectus.

The Underwriter is entitled to receive fees and commission under the Underwriting Agreement as set out in section 7.1 above.

HopgoodGanim Lawyers are acting as legal adviser to the Entitlement Offer and have performed work in relation to the Prospectus. In doing so, HopgoodGanim Lawyers have placed reasonable reliance upon information provided to them by the Company. HopgoodGanim Lawyers does not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay approximately \$90,000 (excluding disbursements and GST) to HopgoodGanim Lawyers. HopgoodGanim Lawyers are the Company's Australian legal advisers and are engaged from time to time by the Company on a variety of matters. Further amounts may be paid to HopgoodGanim Lawyers in accordance with its normal time-based charges.

8.10 Subsequent events

The Company is currently in advanced discussions and negotiations with a counterparty to dispose of its remaining 10% interest in petroleum lease PL1084 (**Potential PL1084 Transaction**). If the Potential PL1084 Transaction ultimately eventuates and completes, the Company currently anticipates that it would contribute

approximately \$4,000,000 to the line item “proceeds from anticipated Asset sales” in the Source of Funds table in section 1.5.

In addition to the Potential PL1084 Transaction, the Company is also in discussions as regards the acceleration and crystallisation of contingent payments (such payments being contingent upon certain conditions being met) under its existing transactions. Should this acceleration and crystallisation of the relevant contingent payments proceed, the Company currently anticipates that would contribute to the line item “proceeds from anticipated Asset sales” in the Source of Funds table in section 1.5.

While the Company believes that it has a reasonable basis as regards the inclusion of the above negotiations in the sources of funds through to 31 December 2020, there can be no guarantee that the above transactions will eventuate and complete on the terms which the Company currently anticipates.

More broadly, the Company is also currently investigating the divestment of other non-core assets with a view to further improving the cash position of the Company.

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

- (a) the operations of the Company,
- (b) the results of those operations; or
- (c) the state of affairs of the Company.

8.11 Litigation

The Company is not engaged in any litigation which has or would be likely to have a material adverse effect on either the Company or its business.

8.12 Privacy

By submitting an Entitlement and Acceptance Form for shares you are providing to the Company personal information about yourself. If you do not provide complete and accurate personal information, your application may not be able to be processed.

The Company maintains the register of members of the Company through Link Market Services Limited an external service provider. The Company requires Link Market Services Limited to comply with the National Privacy Principles with performing these services. The Company’s register is required under the Corporations Act to contain certain personal information about you such as your name and address and number of shares and options held. In addition, the Company collects personal information from members such as, but not limited to, contact details, bank accounts and membership details and tax file numbers.

This information is used to carry out registry functions such as payment of dividends, sending annual and half yearly reports, notices of meetings, newsletters and notifications to the Australian Taxation Office. In addition, contact information will be used from time to time to inform members of new initiatives concerning the Company.

The Company understands how important it is to keep your personal information private. The Company will only disclose personal information we have about you:

- (a) when you agree to the disclosure;
- (b) when used for the purposes for which it was collected;

- (c) when disclosure is required or authorised by law;
- (d) to other members in the Group;
- (e) to your broker;
- (f) to external service suppliers who supply services in connection with the administration of the Company's register such as mailing houses and printers, Australia Post and financial institutions.

You have the right to access, update and correct your personal information held by the Company and Link Market Services Limited, except in limited circumstances. If you wish to access, update or correct your personal information held by Link Market Services Limited or by the Company please contact our respective offices.

If you have any questions concerning how the Company handles your personal information, please contact the Company.

8.13 Expenses of the Entitlement Offer

All expenses connected with the Offers are being borne by the Company. Total expenses of the Entitlement Offer (not including the Placement) are estimated to be in the order of \$468,000 including underwriting fees. The breakdown of the expenses are as follows:

- (a) Legal fees of approximately \$90,000;
- (b) Management fees of approximately \$100,000;
- (c) Underwriting fees of approximately \$225,000;
- (d) Link Market Services Limited registry costs approximately \$35,000; and
- (e) ASX Listing fees approximately \$18,000.

8.14 Consents and disclaimers

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

HopgoodGanim Lawyers have given and have not withdrawn their consent to be named in this Prospectus as legal advisers to the Entitlement Offer in the form and context in which they are named. They take no responsibility for any part of the Prospectus other than references to their name.

Link Market Services Limited has given and, at the date of this Prospectus, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. It has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company and has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Bizzell Capital Partners Pty Ltd has given and has not withdrawn its consent to be named in this Prospectus as the Underwriter in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

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

DGR Global Limited has given and has not withdrawn its consent to be named in this Prospectus as a Sub-underwriter in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

JB Advisory has given and has not withdrawn its consent to be named in this Prospectus as a Joint Lead Manager to the Placement and Conditional Placement in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

8.15 **Directors' statement**

This Prospectus is issued by Armour Energy Limited. Each director has consented to the lodgement of the Prospectus with ASIC.

Signed on the date of this Prospectus on behalf of Armour Energy Limited by

A handwritten signature in dark ink, appearing to read 'R. Sleeman', with a long horizontal flourish extending to the right.

Roland Sleeman
Director

9. Definitions and glossary

Terms and abbreviations used in this Prospectus have the following meaning:

2D Seismic Survey	Has the meaning given to that term in section 7.4(b)
Acceptance	An acceptance of Entitlements
Additional New Shares	New Shares that may be issued to Shareholders who apply for New Shares under the Entitlement Shortfall Facility
Additional New Options	New Options that may be issued to Shareholders who apply for New Shares under the Entitlement Shortfall Facility
Additional New Securities	The Additional New Shares and the Additional New Options, or either of them as the context requires
Applicant	A person who submits an Entitlement and Acceptance Form in accordance with this Prospectus
Application Money	The aggregate amount payable for the New Shares applied for by an Applicant, calculated as multiplying the Offer Price by the number of New Shares applied for
Armour Energy Uganda or Armour Uganda	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
Armour Surat	Armour Energy (Surat Basin) Pty Limited ACN 607 504 905
ASIC	Australian Securities and Investments Commission
Associates	Has the meaning given to that term in the Corporations Act
ASX	ASX Limited and the Australian Securities Exchange
ASX Listing Rules or Listing Rules	The official listing rules of the ASX
ASX Settlement	ASX Settlement Pty Ltd
ASX Settlement Operating Rules	The operating rules of ASX Settlement
Austraclear	Austraclear Ltd (ABN 94 002 060 773) which operates a clearing and settlement system through which the Secured Amortising Notes are traded
BCP (see also Underwriter)	Bizzell Capital Partners Pty Ltd ACN 118 741 012
Beneficial Holder	A person with the ultimate beneficial interest in a Secured Amortising Note

Business Day	Has the same meaning as in the ASX Listing Rules
Closing Date	<p>(a) In respect of the Institutional Entitlement Offer, the date on which the Institutional Entitlement Offer closes, being 18 June 2020;</p> <p>(b) In respect of the Retail Entitlement Offer, the date by which valid acceptances must be received by the Share Registry being 15 July 2020,</p> <p>or such other date determined by the Board and the Underwriter in accordance with the Listing Rules</p>
CoEra	Has the meaning given to that term in section 4.2(a)
CoEra Consideration	Has the meaning given to that term in section 4.2(a)
CoEra Transaction	Has the meaning given to that term in section 4.2(a)
Company or Armour or AJQ	Armour Energy Limited ACN 141 198 414
Company Website	The website available at: www.armourenergy.com.au
Conditional Placement	The potential placement of Shares and Options proposed to be undertaken by the Company following completion of the Entitlement Offer which will be subject to shareholder approval and may raise up to a further \$2.1 million
Conditions	The terms and conditions of the Secured Amortising Notes set out in the Information Memorandum
Constitution	The Constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Deed of Indemnity and Guarantee	<p>The deed of indemnity and guarantee dated 18 December 2019, which is provided by DGR Global in favour of the Company and:</p> <p>(a) which indemnifies the Company against:</p> <p style="margin-left: 40px;">A. all costs associated with complying with the obligations under the Ugandan Licence; and</p> <p style="margin-left: 40px;">B. any claim, demand, debt, action, proceeding, cost, charge, expense, damage loss or other liability related to the obligations under the Ugandan Licence,</p> <p style="margin-left: 40px;">in each case for up to a maximum of 83.18% of the Company's liability, until such time as the Ugandan Government cancels or returns the Parent Company Guarantee to the Company; and</p> <p>(b) pursuant to which DGR Global guarantees to and indemnifies to the Company 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</p>

	83.18% of the Company's liability under the Parent Company Guarantee
DGR Global	DGR Global Limited ACN 052 354 837
Directors or Board	The Board of directors of the Company from time to time
Eligible Institutional Shareholder	<p>A Shareholder:</p> <p>(a) who is an institutional or sophisticated Shareholder on the commencement of the Institutional Entitlement Offer with a registered address in either Australia, New Zealand, Singapore, Jersey or Hong Kong; and</p> <p>(b) to whom an offer is made under the Institutional Entitlement Offer (either directly or through a nominee)</p>
Eligible Retail Shareholder	A Retail Shareholder of the Company on the Record Date whose registered address is in Australia, New Zealand, Singapore, Jersey or Hong Kong
Eligible Shareholder	An Eligible Institutional Shareholder or Eligible Retail Shareholder (or both, as the context requires)
Engagement Letter	Has the meaning given to that term in section 7.1
Entitlement	The entitlement to subscribe for New Shares (with 1 attaching New Option(s) for every 2 New Shares subscribed) under the Entitlement Offer
Entitlement and Acceptance Form or Form	An entitlement and acceptance form in the form accompanying this Prospectus
Entitlement Offer	The pro rata, non-renounceable offer to Eligible Institutional Shareholders and Eligible Retail Shareholders to subscribe for 1 New Share for every for every 3 Shares held (with 1 free attaching New Option for every 2 Shares) at an Offer Price of \$0.023 per New Share and includes both the Institutional Entitlement Offer and the Retail Entitlement Offer
Entitlement Shortfall	The shortfall between the number of New Shares applied for under the Entitlement Offer and the number of New Shares offered to Eligible Shareholders under the Entitlement Offer
Entitlement Shortfall Facility	The facility described in sections 1.15 and 3.4 of this Prospectus under which Eligible Shareholders may apply for Additional New Shares and Additional New Options in excess of their Entitlement, which Additional New Securities will be allocated from the Shortfall if any
Existing Options	All existing options to subscribe for Shares currently on issue as at the date of this Prospectus
Farmin Agreement	The South Nicholson Basin Farmin Agreement dated 29 November 2019 between the Company and Santos QNT Pty Ltd (Santos), a wholly-owned subsidiary of Santos Ltd (ASX: STO)

FATA	<i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth)
Fractional Entitlement	The extent that the Entitlement Offer results in an Entitlement to a fraction of a New Share
Group	The Company and each of its wholly owned subsidiaries
Guarantee	Has the meaning given to that term in the Information Memorandum
Guarantor	Has the meaning given to that term in the Information Memorandum
Ineligible Shareholders	Shareholders as at the Record Date who are not Eligible Shareholders
Information Memorandum	The Information Memorandum released to the ASX on 29 March 2019 as amended on or about 26 March 2020 and as may be further amended from time to time
Institutional Entitlement	Entitlements under the Institutional Entitlement Offer
Institutional Entitlement Offer	The offer of Shares to Eligible Institutional Shareholders under the Entitlement Offer
IP 30	The average initial production (IP) rate and how that production has performed over a 30-day period
JB Advisory	JB Advisory Partners Pty Ltd ACN 638 166 775
JB Advisory Mandate	Has the meaning given to that term in section 7.3
Law	The <i>Corporations Act</i> or any relevant and applicable law in Australia
Licence or Tenement or Ugandan Licence	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
MMscf/day	Million standard cubic feet of gas per day
New Options	The Options offered under this Prospectus being Options to subscribe for Shares with an exercise price of \$0.05 and an expiry date of 29 February 2024 and otherwise on terms set out in Schedule 1 of this Prospectus
New Securities	The New Shares and/or New Options (as applicable)
New Shares	The Shares offered under this Prospectus
Noteholders	Those persons whose names are entered on the register of Noteholders as the holder of Notes (being Austraclear as at the date of this Prospectus) or the Beneficial Holder(s) of the Notes, as the context requires or permits
Offer Price	\$0.023 for each New Share applied for

Offer	The Entitlement Offer
Official List	The official list of entities that ASX has admitted and not removed
Official Quotation	Quotation on the Official List
Oilex	Has the meaning given to that term in section 4.2(a)
Opening Date	In respect of the Retail Entitlement Offer, 24 June 2020
Option Holders	The holders of Existing Options
Options	Options to subscribe for Shares
Outstanding Principal Amount	Has the meaning given to that term in the Conditions
Parent Company Guarantee	The parent company guarantee dated on or about 11 January 2019 and provided by the Company 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 Licence
Placement	A placement by the Company of up to a maximum of 146,195,009 Shares with up to a maximum of 73,097,504 Options to institutional investors at the Offer Price, raising up to approximately \$3,362,485.21 before costs
Placement Options	The Options attaching to the Placement Shares issued under the Placement
Placement Participants	The sophisticated and professional investors who have participated in, or do participate in, the Placement
Placement Securities	The Shares issued under the Placement and the Placement Options.
Prospectus	This Prospectus dated 15 June 2020 as modified or varied by any supplementary prospectus made by the Company and lodged with the ASIC from time to time and any electronic copy of this prospectus and supplementary prospectus
PSA	A production sharing agreement between the Company 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
Record Date	7.00pm AEST on 19 June 2020
Register	Company Register of the Company
Relevant Interest	Has the meaning given to that term in the <i>Corporations Act</i>
Retail Entitlement	Entitlements under the Retail Entitlement Offer

Retail Entitlement Offer	The offer of New Shares (with attaching New Options) in accordance with this Prospectus as part of the Entitlement Offer
Retail Shareholder	A Shareholder of the Company on the Record Date who is not an Eligible Institutional Shareholder or who was invited to participate in the Institutional Entitlement Offer but elected to take part in the Retail Entitlement Offer for all or part of their Entitlement (regardless of whether they participated in the Institutional Entitlement Offer)
Samuel Holdings or Samuel Holdings	Samuel Holdings Pty Ltd ACN 063 693 747 ATF the Samuel Discretionary Trust
Secured Amortising Notes or Notes	The secured amortising notes issued pursuant to the Information Memorandum
Securities	Has the same meaning as in section 92 of the <i>Corporations Act</i>
Security	Has the meaning given to that term in the Information Memorandum
Security Trustee	Has the meaning given to that term in the Information Memorandum
Securityholder	The holder of Securities in the Company from time to time
Share Registry	Link Market Services Limited
Shares	The ordinary shares on issue in the Company from time to time
Shareholders	The holders of Shares from time to time
Shortfall	The Entitlement Shortfall
Sub-Underwriters	Means Samuel and DGR Global and any other party who enters into a Sub-Underwriting Agreement with the Underwriter
Sub-Underwriting Agreement	Has the meaning given in section 7.2
TJ/d	Terajoules per day
Ugandan Contingent Liability Conditional Licence	An amount not exceeding US\$7,500,000, for which the licensee of the Licence may become liable to the Ugandan Government pursuant to the terms of the Licence
Ugandan Government	The Government of the Republic of Uganda
Uganda Project Letter Agreement	An agreement between the Company and DGR Global dated on or about 8 September 2017 pursuant to which, amongst other things, the Company agrees to hold DGR Global's 83.18% interest in the Ugandan Licence on trust for DGR Global
Underwriter (see also BCP)	Bizzell Capital Partners Pty Ltd ACN 118 741 012

Underwriting Agreement	Has the meaning given in section 7.1
Underwriter Options	Up to 31,561,734 Options on the same terms as the New Options to be issued pursuant to the Underwriting Agreement and Engagement Letter
US Securities Act	The US Securities Act of 1933, as amended
\$M	Million dollars

Appendix A

(ASX Announcements)

Date	Title of Announcement
30/09/2019	Appendix 3B
30/09/2019	Section 708A Cleansing Notice
30/09/2019	Information Disclosed under ASX Listing Rule 3.10.5A
02/10/2019	Myall Creek North 1 Drilling Update
03/10/2019	Change in substantial holding from Tenstar
03/10/2019	Change in substantial holding from DGR
09/10/2019	Myall Creek North 1 Update
14/10/2019	Myall Creek North 1 Well Update
15/10/2019	Trading Halt
15/10/2019	Binding Term Sheet Executed for Farm-in by Santos
15/10/2019	Presentation to NT Energy Club
16/10/2019	MCN1 Well Update – Thick Gassy Sands Encountered
17/10/2019	Brisbane Resources Round-up Presentation
17/10/2019	Becoming a substantial holder (Rookharp)
18/10/2019	Annual Report to Shareholders (Post Production)
18/10/2019	Notice of Annual General Meeting/Proxy Form
22/10/2019	Horseshoe 4 Well Spudded
22/10/2019	Expiry of Options
24/10/2019	Appointment of Interim CEO
28/10/2019	Operational Update – Uganda Oil Project
31/10/2019	Operational Update – Horseshoe 4 Well
31/10/2019	Quarterly Activities Report

31/10/2019	Quarterly Cashflow Report
04/11/2019	Operational Update – Horseshoe 4 Well Resumption
05/11/2019	Appendix 3B
05/11/2019	Section 708A Cleansing Notice
05/11/2019	Information Disclosed under ASX Listing Rule 3.10.5A
12/11/2019	Horseshoe 4 Well Successfully Drilled and Evaluated
25/11/2019	Kincora Project Work Program Update
26/11/2019	CEO Address and Presentation to the AGM
26/11/2019	Results of Meeting
02/12/2019	Trading Halt
04/12/2019	Formal Farmin Agreement with Santos Executed
09/12/2019	Appendix 3B (Expiry of Options)
11/12/2019	Operational Update
16/12/2019	Expiry of Options
17/12/2019	Appendix 3G
17/12/2019	Change of Director's Interest Notice*2
18/12/2019	Change of Director's Interest Notice
24/12/2019	Increased Gas Flows from MC-5A Following Stimulation
06/01/2020	Operations Update – Increased Gas Flows at Myall Creek 5A
17/01/2020	Horseshoe 4 Well Update – Initial Test Flow Result
03/02/2020	Quarterly Activities Report
03/02/2020	Quarterly Cashflow Report
18/02/2020	Maiden Material Oil Reserves and New Resources at Kincora
11/03/2020	Armour APLNG Joint Venture Granted Qld Production Licence
12/03/2020	Proposed Amendments to Secured Amortising Notes

12/03/2020	Appointment of Bruce Clement as CEO
13/03/2020	Half Yearly Reports and Accounts
17/03/2020	Pending Expiry of Employment Options
24/03/2020	Trading Halt
26/03/2020	Noteholders Approve Amendments to the \$55m Secured Notes
27/04/2020	Covid-19 Response and Corporate Cost Reductions
01/05/2020	Quarterly Cashflow Report
01/05/2020	Quarterly Activities Report
28/05/2020	OEX: Sale of Cooper Eromanga Basin Assets
28/05/2020	Acquisition of Cooper Eromanga Basin Assets
29/05/2020	Pending Expiry of Unlisted Options
01/06/2020	Extension to Agreement with Oilex Ltd
01/06/2020	OEX: Extension to Armour Agreement
09/06/2020	OEX: Extension to Armour Agreement
09/06/2020	Further Extension to Agreement with Oilex
12/06/2020	Gas Reserves Increase at Kincora Project
12/06/2020	Increase in Gas Reserves at Kincora Project (Re-release)
15/06/2020	Trading Halt
15/06/2020	Execution of Agreement with Oilex and Commencement of New CEO

Corporate Directory

Directors and Company Secretary	Legal Advisers to the Entitlement Offer
Mr Nicholas Mather (Executive Chairman)	HopgoodGanim Lawyers
Mr Roland Sleeman (Non-Executive Director)	Level 8, Waterfront Place
Mr Stephen Bizzell (Non-Executive Director)	1 Eagle Street
Mr Eytan Uliel (Non-Executive Director)	Brisbane QLD 4000
Mr Karl Schlobohm (Company Secretary)	Tel: + 61 7 3024 0000
	www.hopgoodganim.com.au
Administration and Registered Office	Underwriter
Armour Energy Limited	Bizzell Capital Partners Pty Ltd
Level 27, 111 Eagle Street	Level 21, Matisse Tower, 110 Mary Street
Brisbane QLD 4000	Brisbane QLD 4000
Tel: +61 7 3303 0680	Tel: +61 7 3212 9200
www.armourenergy.com.au	
Share Registry	Joint Lead Managers
Link Market Services Limited	Bizzell Capital Partners Pty Ltd
Level 21, 10 Eagle Street, Brisbane QLD 4000	Level 21, Matisse Tower, 110 Mary Street
Tel: 1300 554 474 (within Australia)	Brisbane QLD 4000
+61 1300 554 474 (outside Australia)	Tel: +61 7 3212 9200
	JB Advisory Partners Pty Ltd
	ABN: 72 638 166 775
	Suite 1406, Level 14, 3 Spring Street,
	Sydney NSW 2000

Schedule 1 New Option Terms

The New Options are issued on and subject to the following terms:

1. The New Options shall be issued for no cash consideration.
2. The exercise price of each New Option is \$0.05 (**Exercise Price**).
3. The New Options will expire on 29 February 2024 (**Expiry Date**) unless earlier exercised.
4. The New Options will be listed on the ASX.
5. The New Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise (**Exercise Notice**) together with payment for the Exercise Price per New Option to the Company at any time on or after the date of issue of the New Options and on or before the Expiry Date. Payment may be made as directed by the Company from time to time, which may include by cheque, electronic funds transfer or other methods.
6. The number of New Options that may be exercised at one time must be not less than 25,000, unless the holder of the New Option (**New Option Holder**) holds less than 25,000 New Options in which case all New Options must be exercised at one time.
7. Within 20 Business Days after the valid exercise of the New Options and payment of the Exercise Price, the Company will:
 - (a) allot and issue the number of fully paid ordinary Shares ranking *pari passu* with the then issued Shares as required under these terms and conditions in respect of the number of New Options specified in the Exercise Notice and for which cleared funds have been received by the Company; and
 - (b) if admitted to the official list of ASX at the time, apply for Official Quotation on ASX of Shares issued pursuant to the exercise of the New Options.
8. New Option Holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where and only to the extent required pursuant to the Listing Rules, provide New Option Holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the New Options, in accordance with the requirements of the Listing Rules.
9. New Option Holders do not participate in any dividends unless the New Options are exercised, and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
10. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of New Options, the Exercise Price of the New Options, or both will be reorganised (as appropriate) in a manner consistent with the Listing Rules as applicable at the time of reorganisation, but with the intention that such reorganisation will not result in any benefits being conferred on the New Options Holders are not conferred on Shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reorganisation of capital, in all other respects the terms for the exercise of the New Options will remain unchanged.

11. If there is a pro rata issue (except a bonus issue), the Exercise Price of New Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

- O^n = the new exercise price of the New Option;
- O = the old exercise price of the New Option;
- E = the number of underlying securities into which one New Option is exercisable;
- P = the volume weighted average market price per security of the underlying securities during the 5 trading days ending on the day before the ex-right date or the ex-entitlements date;
- S = the subscription price for a security under the pro rata issue;
- D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
12. If there is a bonus issue to the Shareholders of the Company, the number of Shares over which the New Option is exercisable may be increased by the number of Shares which the New Option Holder would have received if the New Option had been exercised before the record date for the bonus issue.
13. The terms of the New Options shall only be changed if Shareholders (whose votes are not to be disregarded) of in the Company approve of such a change. However, unless all necessary waivers of the Listing Rules are obtained, the terms of the New Options shall not be changed to reduce the Exercise Price, increase the number of New Options or change any period for exercise of the New Options.
14. The Company intends to apply for listing of the New Options on the ASX.