

## Armour Energy Limited

23 March 2021

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

#### HIGHLIGHTS:

- Armour has issued a Notice to Noteholders to seek approval for amendments to the Conditions of the Secured Amortising Notes.
- If approved, the amendments will provide Armour the ability to execute the McArthur demerger and IPO (refer ASX release of 3 March 2021).
- If successful, Armour will use the consideration from the sale of the Northern Basin Assets to McArthur to retire a proportion or all of its outstanding debt.

**The Directors of Armour Energy Limited (ASX: AJQ; “Armour”, or “the Company”) wish to advise that the Company has issued a Notice of Circulating Resolution with an attaching Explanatory Memorandum to holders (Noteholders) of the Company’s Secured Amortising Notes (Notes) to seek approval by way of a special resolution of Noteholders (the Special Resolution) to amend the Conditions of the Notes and obtain Noteholder consent (Proposed Amendments and Consent).**

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

The Notes were issued by Armour in March 2019 and under their Conditions of issue (as disclosed in Armour’s ASX Announcement of 29 March 2019, including a full copy of the Information Memorandum, and as amended as disclosed in Armour’s ASX Announcement on 26 March 2020), Armour is obliged to meet certain financial covenants and to obtain Noteholder consent for certain corporate actions.

In late 2020, Armour delivered a work program on its production tenures in Queensland. However, the production and resulting revenue uplift from this work program was lower than anticipated.

On 3 March 2021, Armour announced that it intended to demerge its Northern Basin Assets (i.e. six granted exploration permits and seven exploration permit applications in the Northern Territory and one exploration permit application in the South Nicholson Basin in Queensland through a new wholly-owned subsidiary, McArthur Oil and Gas Limited (“**McArthur**”). It is proposed that McArthur will enter into a conditional agreement to acquire from Armour the Northern Basin Assets for consideration of \$40 million plus a minimum 33.3% retained interest by Armour’s shareholders. If the demerger and IPO are ultimately successful, Armour intends to use the consideration received from McArthur to retire a proportion of or all of its outstanding debt.

For these reasons, Armour is seeking from Noteholders relaxation of several of the Note covenants, including the leverage and debt servicing coverage, to provide runway for Armour to execute the McArthur demerger and IPO.

Successful completion of the proposed demerger transaction is expected to result in Armour strengthening its balance sheet and both McArthur and Armour being well-funded to progress their respective exploration, development and production programmes. The proposed demerger will also provide the Company with greater flexibility to pursue further project opportunities.

As part of the demerger, Armour will seek further amendments to the Notes in due course.

Armour is also seeking consent from the Noteholders (which in turn will enable the Security Trustee to provide its consent) to enable Armour to amend the due date of the A\$6.8 million environmental bonding finance facility by 65 days from 25 July 2021 to 30 September 2021.

### **Proposed Amendments and Consent**

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

In short, the Proposed Amendments and Consent include the following:

1. New Note principal amortisation schedule to reflect the \$11.4 reduction in aggregate outstanding principal value of the Notes by way of unscheduled amortization payments;
2. Amendments to Financial Undertakings, including the Debt Service Cover Ratio, the Leverage Ratio and the cash balances Armour must maintain;
3. Amendments to increase a certain limit on incurring Financial Indebtedness;
4. The creation of a new Interest Reserve Account which requires Armour to maintain a certain balance;
5. Amendments to the early redemption of Notes provisions;
6. Amendments to the payment timeframes for the unscheduled amortisation payments; and
7. Consent from the Noteholders to extend the due date for the environmental bonding finance facility.

Whilst the Company, based on discussions to date, believes approval from Noteholders should be forthcoming, no assurance can be given that the amendments will ultimately be approved. If the amendments are not approved the Company may, absent the amendment to the Conditions of the Notes, breach the financial covenants at 31 March 2021 and such a breach, if unremedied, may amongst other matters require the Company to redeem all of the Notes.

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

### **Noteholder Approval Process**

1. The attached Notice will be issued to all Noteholders.
2. The Noteholders will be required to cast their vote by 29 March 2021.
3. In order to take effect, the Proposed Amendments require 75% of Noteholders by value to vote in favour.
4. If the Special Resolution is passed, the Company will pay a consent fee of 0.25% to Noteholders who vote in favour of the Special Resolution.

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

**This announcement is authorised by the Board of Directors  
Karl Schlobohm  
Company Secretary**

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**Executives**

Bradley Lingo - Chief Executive Officer  
Karl Schlobohm – Company Secretary  
Michael Laurent – Chief Operating Officer  
Toni Hawkins – Chief Financial Officer

**Directors**

Nicholas Mather – Executive Chairman  
Stephen Bizzell - Non-Executive Director  
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