

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.

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

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

For further information contact:

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Brad Lingo – CEO
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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
Roland Sleeman – Non-Executive Director
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Notice of Circulating Resolution of Noteholders and Explanatory Memorandum

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

<u>Issuer</u>	<u>ISIN</u>	<u>Title</u>	<u>Status</u>	<u>Aggregate outstanding principal amount</u>
Armour Energy Limited	AU3CB0261998	8.75% Fixed Rate Secured Amortising Notes due 29 March 2024	Secured	A\$37,567,200

Date:	22 March 2021
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IMPORTANT NOTICE

What is this document?

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

Consent Fee

The Issuer undertakes to pay the Consent Fee (equal to 0.25 per cent. of the Outstanding Principal Amount of each Note) to each Beneficial Holder who votes that amount of Notes held by that Beneficial Holder in favour of the Special Resolution. Payment of the Consent Fee is conditional upon the Special Resolution being passed.

Terms used in this document but not otherwise defined have the meaning given to them in the section entitled “Glossary” on pages 7 and 8. All times expressed in this document refer to Sydney time.

THE EXPLANATORY MEMORANDUM (SET OUT ON PAGE 29 AND FOLLOWING) CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ CAREFULLY.

Responsibility

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

Notice of Circulating Resolution

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

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

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

Noteholders bound

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

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

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

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

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

No investment advice

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

Forward looking statements

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

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

Questions

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

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

KEY DATES

Date of Notice and Notification Date 22 March 2021

Record Date 22 March 2021

The attached Instruction to Sign must be received by the Note Trustee no later than 10.00 am on Wednesday 31 March 2021 to be valid.

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

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

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

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

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

Action required by Austraclear Holders

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

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

The Instruction to Sign must be received by the Note Trustee no later than 10.00 am on Wednesday 31 March 2021 to be valid.

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

On or about Tuesday 6 April 2021 or such earlier time if sufficient instructions of Austraclear Holders have been received for the Special Resolution to be passed

The date Austraclear will sign the Special Resolution

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

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

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

On or about Wednesday 7 April 2021 or such earlier time as the Special Resolution has been passed

Notification to Noteholders

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

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

Payment of the Consent Fee by the Issuer

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

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

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

GLOSSARY

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

Term	Definition
Armour Surat	Armour Energy (Surat Basin) Pty Ltd (ACN 607 504 905)
Austraclear	Austraclear Ltd (ABN 94 002 060 773).
Austraclear Holders	those Austraclear Participants in whose Austraclear Security Record the Notes appear immediately prior to the Austraclear System opening on the Record Date.
Beneficial Holder	a person with the ultimate beneficial interest in a Note.
Board	the Board of Directors of the Issuer.
Circulating Resolution	the Circulating Resolution set out in this Notice.
Conditions	the terms and conditions of the Notes as set out in the Information Memorandum, as supplemented, amended, modified or replaced by the Pricing Supplement.
Consent Fee	an amount equal to 0.25 per cent. of the outstanding principal amount of each Note held by each Beneficial Holder who votes that amount of Notes held by that Beneficial Holder in favour of the Special Resolution.
Explanatory Memorandum	the Explanatory Memorandum accompanying this Notice.
Information Memorandum	the Information Memorandum dated 27 March 2019 and as amended on 25 March 2020.
Instruction to Sign	a form in, or substantially in, the form entitled “ <i>Instruction to Sign</i> ” set out in Annexure B on pages 20 to 22.
Issuer	Armour Energy Limited (ABN 60 141 198 414).
McArthur Oil and Gas Limited	McArthur Oil and Gas Limited (ACN 648 622 404)
Meeting Provisions	the provisions for Meetings of the Noteholders set out in Schedule 6 (“Meeting Provisions”) of the Note Trust Deed.
Note Trust Deed	the Note Trust Deed dated 25 March 2019 between the Issuer, the Initial Guarantors (as defined therein) and the Note Trustee.
Note Trustee	Perpetual Corporate Trust Limited (ABN 99 000 341 533) as trustee for the Armour Energy Note Trust constituted by the Note Trust Deed.
Noteholders	those persons whose names are entered on the Register as the holder of Notes, being Austraclear as at the date of this Notice.
Notice of Circulating Resolution or Notice	this Notice of Circulating Resolution, including the Explanatory Memorandum accompanying this Notice.

Term	Definition
Notification of Voting Intention	a notice in, or substantially in, the form entitled “ <i>Notification of Voting Intention Received from Austraclear Holders</i> ” set out in Annexure C on pages 23 and 24.
Priority Deed	the Priority Deed dated 22 March 2019 between SP1, P.T. Limited in its capacity as security trustee under the SP2 Security Trust Deed, the Issuer and the Guarantors (as defined therein).
Register	the register of holders of Notes established and maintained by Perpetual Trustee Company Limited (the Agent) pursuant to the Agency Agreement entered into between amongst others, the Issuer and the Agent.
Special Resolution	the resolution and other matters to be voted on pursuant to this document as set out in the section of this document entitled “ <i>Annexure A - Special Resolution</i> ” on pages 14 to 17.
Security Record	has the meaning given to that term in the rules and regulations known as the “Austraclear Regulations” established by Austraclear to govern the use of the Austraclear System.
Security Trustee	P.T. Limited (ACN 004 454) 666 in its capacity as security trustee of the Security Trust Deed.
Security Trust Deed	the Security Trust Deed – Armour Energy Security Trust dated 25 March 2019 between the Security Trustee, the Initial Obligors and Initial Beneficiaries (both as defined therein).
SP1	EQT Australia Pty Ltd (ACN 111 042 132) in its capacity as security trustee under the SP1 Security Trust Deed.
SP1 Facility Agreement	The Loan Facility Agreement dated 25 July 2018 as amended and restated, between Armour Surat, the Issuer and each Participant (as defined therein).

NOTICE OF CIRCULATING RESOLUTION

22 March 2021

Dear Noteholder

NOTICE OF CIRCULATING RESOLUTION OF NOTEHOLDERS

We are pleased to provide you with this Notice of Circulating Resolution in relation to a Special Resolution for consideration and approval by Noteholders of the Notes. This Notice of Circulating Resolution constitutes a notice of circulating resolution given under and in accordance with Condition 18 ("Notices") and the Meeting Provisions. The Notification Date of this Notice of Circulating Resolution for the purposes of the Meeting Provisions is 22 March 2021.

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

Special Resolution

The Special Resolution approves:

- (a) amendments to the Conditions which will be set out in that Pricing Supplement;
- (b) an amended "Schedule - Scheduled Amortisation Amounts" as set out in the Schedule to this Notice of Circulating Resolution;
- (c) amendments to:
 - (i) Condition 5.1(a) ("Financial undertakings – Debt Service Cover Ratio");
 - (ii) Condition 5.1(c) ("Financial undertakings – Leverage Ratio");
 - (iii) Condition 5.1(d) ("Financial undertakings - Cash Balance");
 - (iv) Condition 5.3(b) ("Limit on incurring Financial Indebtedness");
 - (v) Condition 9.4 ("Early redemption at the option of the Issuer (Issuer Call)"); and
 - (vi) Condition 9.6A ("Unscheduled amortisation on Farm-In Payments and certain Disposals");
- (d) the addition of a new Condition 5.9C ("Interest Reserve Account");
- (e) consequential amendments to Condition 1.2 ("Definitions") to facilitate the above amendments; and
- (f) seek the consent of the Noteholders to permit the Issuer to amend the terms of the SP1 Facility Agreement extending the due date for repayment of the Principal Outstanding from 25 July 2021 to 25 October 2021.

The full text of the proposed amendments and consents are as follows:

- (a) Condition 1.2 ("Definitions") is amended by:
 - (i) adding the following new definition in applicable alphabetical order:

“Interest Reserve Account means an account in the name of the Note Trustee established at the direction of the Issuer for the purposes of holding monies reserved for the payment of Interest in accordance with Condition 5.9C;”;

- (ii) Amending the definition of **“Free Cash after Debt Servicing”** and replacing with the following:

“Free Cash after Debt Servicing means, for any period, the net cash flow from operating activities less the aggregate interest (and amounts in the nature of interest) and scheduled principal payments (including Scheduled Amortisation Amounts) made on all Financial Indebtedness and any Net Proceeds;”

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

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

Period during which the Calculation Date occurs	Debt Service Cover Ratio
<i>From 1 January 2021 to (and including) 31 December 2021</i>	<i>Not applicable</i>
<i>From 1 January 2022 to (and including) 30 June 2022</i>	<i>1.75:1.00</i>
<i>From 1 July 2022 to (and including) the Maturity Date</i>	<i>2.00:1.00</i>

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

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

Period during which the Calculation Date occurs	Leverage Ratio
<i>From 1 January 2021 to (and including) 31 December 2021</i>	<i>Not applicable</i>
<i>From 1 January 2022 to (and including) 30 June 2022</i>	<i>2.50:1.00</i>

From 1 July 2022 to (and including) the Maturity Date

2.00:1.00

- (d) Condition 5.1(d) ("Financial undertakings - Cash Balance") shall be deleted and replaced with the following:

"(Cash Balance) the Cash Balance of the Issuer must, at all times, exceed A\$1,500,000 and is not to fall below A\$3,000,000 for a period of more than 90 consecutive days; and";

- (e) Condition 5.3(a)(v) ("Limit on incurring Financial Indebtedness") shall be deleted in its entirety and replaced with the following:

"(v) any Financial Indebtedness incurred under any finance lease, funding arrangements, hire purchase arrangement or similar facility entered into in the ordinary course of business (where such arrangement is on such terms that are without recourse against an Obligor not a party to the arrangement, or the Group's assets) where the aggregate outstanding capital or principal value of all such agreements entered into by all members of the Group does not exceed A\$1,000,000 at any time;";

- (f) a new Condition 5.9C ("Interest Reserve Account") shall be added as follows:

"5.9C Interest Reserve Account

- (a) *The Issuer undertakes to procure that the Interest Reserve Account is opened and at all times a balance is maintained which is at least equal to three (3) times the amount of interest that would be payable on the immediately following Interest Payment Date as calculated on the first day of that Interest Period ("**Required Account Balance**").*
- (b) *The Interest Reserve Account is to be held on trust by the Note Trustee for the benefit of the Noteholders and amounts standing to the credit of the Interest Reserve Account may only be withdrawn in accordance with this Condition 5.9C.*
- (c) *Within a reasonable period of time following an Interest Payment Date, and provided that no Event of Default has occurred and is subsisting, the Issuer may request that the Calculation Agent calculate the Required Account Balance, and where the amount held in the Interest Reserve Account is in excess of the Required Account Balance, and may request that the Note Trustee release (and the Note Trustee must as soon as reasonably practicable following such a request release) to the Issuer an amount equal to any cash in excess of the Required Account Balance.*
- (d) *At any time on or after the occurrence of an Event of Default that is subsisting, the Issuer is not entitled to make a request under Condition 5.9C(c) and the Note Trustee is directed by the Issuer to apply any amounts standing to the credit of the Interest Reserve Account to make scheduled payments of interest on an Interest Payment Date if that scheduled interest payment is not otherwise made (for any reason).*
- (g) Condition 9.4 ("Early redemption at the option of the Issuer (Issuer Call)") shall be deleted and replaced as follows:

"9.4 Early redemption at the option of the Issuer (Issuer Call)

The Issuer may redeem all or some of the Notes before their Maturity Date by payment of the Outstanding Principal Amount of each Note being redeemed together with any accrued interest, if any, to the date of redemption.

However, the Issuer may only do so if the amount of Notes to be redeemed is a whole multiple of their Amortised Face Amount and:

- 1. in circumstances where prior to such proposed redemption there has been a public announcement of a public markets issuance to be made by the Issuer for the purposes of funding such redemption or the Issuer has given at least 2 days (and not more than 60 days') notice to the Registrar, the Note Trustee, the Noteholders and each other Agent; and*
- 2. in any other circumstances, the Issuer has given at least 30 days' (and not more than 60 days') notice to the Registrar, the Note Trustee, the Noteholders and each other Agent."*

(h) Condition 9.6A(a)(ii) ("Unscheduled amortisation on Farm-In Payments and certain Disposals") shall be deleted in its entirety and replaced with the following:

"(ii) the date of the unscheduled amortisation payment which shall be the earlier of the following dates:

- i. the Interest Payment Date immediately following the date of the Unscheduled Amortisation Notice, and*
- ii. the date that is no less than 15 Business Days following receipt of the Unscheduled Amortisation Notice by the Note Trustee; and"*

(i) the Noteholders approve (and in turn enable the Security Trustee to provide its consent as required under clause 9.4 ("SP1 Ancillary Security and amendment consent") of the Priority Deed) the Issuer's entry into documentation to amend the terms of the SP1 Facility Agreement to extend the due date for repayment of the Principal Outstanding by 65 days from 25 July 2021 to 30 September 2021 (or such other date after 30 September 2021 as may be reasonably agreed between the Issuer and the other parties to that agreement); and

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

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

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

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

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

Your vote is important

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

Instructions to Austraclear to sign

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

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

Action required by Austraclear Holders

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

Attention: Manager, Agency & Trustee

Email: csf.team@perpetual.com.au

The Instruction to Sign must be received no later than 10.00 am on Wednesday 31 March 2021 to be valid.

Austraclear to sign

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

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

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

Armour Energy Limited

Dated: 22 March 2021

ANNEXURE A – SPECIAL RESOLUTION

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

Special Resolution

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

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

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

“Interest Reserve Account means an account in the name of the Note Trustee established at the direction of the Issuer for the purposes of holding monies reserved for the payment of Interest in accordance with Condition 5.9C;”

(ii) Amending the definition of “Free Cash after Debt Servicing” and replacing with the following:

“Free Cash after Debt Servicing means, for any period, the net cash flow from operating activities less the aggregate interest (and amounts in the nature of interest) and scheduled principal payments (including Scheduled Amortisation Amounts) made on all Financial Indebtedness and any Net Proceeds;”

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

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

Period during which the Calculation Date occurs	Debt Service Cover Ratio
<i>From 1 January 2021 to (and including) 31 December 2021</i>	<i>Not applicable</i>
<i>From 1 January 2022 to (and including) 30 June 2022</i>	<i>1.75:1.00</i>
<i>From 1 July 2022 to (and including) the Maturity Date</i>	<i>2.00:1.00</i>

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

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

Period during which the Calculation Date occurs	Leverage Ratio
--	-----------------------

<i>From 1 January 2021 to (and including) 31 December 2021</i>	<i>Not applicable</i>
<i>From 1 January 2022 to (and including) 30 June 2022</i>	<i>2.50:1.00</i>
<i>From 1 July 2022 to (and including) the Maturity Date</i>	<i>2.00:1.00</i>

- (d) Condition 5.1(d) ("Financial undertakings - Cash Balance") shall be deleted and replaced with the following:

"(Cash Balance) the Cash Balance of the Issuer must, at all times, exceed A\$1,500,000 and is not to fall below A\$3,000,000 for a period of more than 90 consecutive days; and";

- (e) Condition 5.3(a)(v) ("Limit on incurring Financial Indebtedness") shall be deleted in its entirety and replaced with the following:

"(v) any Financial Indebtedness incurred under any finance lease, funding arrangements, hire purchase arrangement or similar facility entered into in the ordinary course of business (where such arrangement is on such terms that are without recourse against an Obligor not a party to the arrangement, or the Group's assets) where the aggregate outstanding capital or principal value of all such agreements entered into by all members of the Group does not exceed A\$1,000,000 at any time;";

- (f) a new Condition 5.9C ("Interest Reserve Account") shall be added as follows:

5.9C Interest Reserve Account

- (g) *The Issuer undertakes to procure that the Interest Reserve Account is opened and at all times a balance is maintained which is at least equal to three (3) times the amount of interest that would be payable on the immediately following Interest Payment Date as calculated on the first day of that Interest Period ("Required Account Balance").*
- (h) *The Interest Reserve Account is to be held on trust by the Note Trustee for the benefit of the Noteholders and amounts standing to the credit of the Interest Reserve Account may only be withdrawn in accordance with this Condition 5.9C.*
- (i) *Within a reasonable period of time following an Interest Payment Date, and provided that no Event of Default has occurred and is subsisting, the Issuer may request that the Calculation Agent calculate the Required Account Balance, and where the amount held in the Interest Reserve Account is in excess of the Required Account Balance, and may request that the Note Trustee (or must as soon as reasonably practicable following such a request) release to the Issuer an amount equal to any cash in excess of the Required Account Balance.*
- (j) *At any time on or after the occurrence of an Event of Default that is subsisting, the Issuer is not entitled to make a request under Condition 5.9C(c) and the Note Trustee is directed by the Issuer to apply any amounts standing to the credit of the Interest Reserve Account to make scheduled payments of interest on an Interest Payment Date if the Issuer has notified the Note Trustee that the Issuer will not otherwise be making that scheduled interest payment.*
- (g) Condition 9.4 ("Early redemption at the option of the Issuer (Issuer Call)") shall be deleted and replaced as follows:

9.4 Early redemption at the option of the Issuer (Issuer Call)

The Issuer may redeem all or some of the Notes before their Maturity Date by payment of the Outstanding Principal Amount of each Note being redeemed together with any accrued interest, if any, to the date of redemption.

However, the Issuer may only do so if the amount of Notes to be redeemed is a whole multiple of their Amortised Face Amount and:

- 1. in circumstances where prior to such proposed redemption there has been a public announcement of a public markets issuance to be made by the Issuer for the purposes of funding such redemption or the Issuer has given at least 2 days (and not more than 60 days') notice to the Registrar, the Note Trustee, the Noteholders and each other Agent; and*
 - 2. in any other circumstances, the Issuer has given at least 30 days' (and not more than 60 days') notice to the Registrar, the Note Trustee, the Noteholders and each other Agent."*
- (h) Condition 9.6A(a)(ii) ("Unscheduled amortisation on Farm-In Payments and certain Disposals") shall be deleted in its entirety and replaced with the following:
- "(ii) the date of the unscheduled amortisation payment which shall be the earlier of the following dates:*
- i. the Interest Payment Date immediately following the date of the Unscheduled Amortisation Notice, and*
 - ii. the date that is no less than 15 Business Days following receipt of the Unscheduled Amortisation Notice by the Note Trustee; and"*
- (i) the Noteholders approve (and in turn enable the Security Trustee to provide its consent as required under clause 9.4 ("SP1 Ancillary Security and amendment consent") of the Priority Deed) the Issuer's entry into documentation to amend the terms of the SP1 Facility Agreement to extend the due date for repayment of the Principal Outstanding by 65 days from 25 July 2021 to 30 September 2021 (or such other date after 30 September 2021 as may be reasonably agreed between the Issuer and the other parties to that agreement); and
- (j) the Issuer may execute, deliver (if applicable) and to do all such other deeds, instruments, acts and things as may be necessary, desirable or expedient in its sole opinion to carry out and give effect to this Special Resolution and the implementation of the amendments referred to in this Special Resolution, including but not limited to making any consequential amendments necessary or desirable to any document in respect of the Conditions of the Notes or any such document, agreement or arrangement to provide for such amendments, including the issue of a replacement Pricing Supplement.

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

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

SCHEDULE TO THE SPECIAL RESOLUTION

Scheduled Amortisation Amounts

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

	Amortisation Payment Date	Amortisation Payment (A\$ per Note)	Aggregate Amount of Amortisation of the Notes (A\$)	Aggregate Amortised Face Amount of the Notes (A\$)	Interest (A\$)	Aggregate Amortisation Amount + Interest (A\$)
1	29-Jun-19	Nil	Nil	55,000,000	1,203,125	1,203,125
2	29-Sep-19	Nil	Nil	55,000,000	1,203,125	1,203,125
3	29-Dec-19	Nil	Nil	55,000,000	1,203,125	1,203,125
4	29-Mar-20	50.00	2,750,000	52,250,000	1,203,125	3,953,125
5	29-Jun-20	20.00	1,100,000	51,150,000	1,142,969	2,242,969
6	29-Sep-20	20.00	1,100,000	44,749,650	1,118,906	2,218,906
7	29 Sep 2020*	96.37	5,300,350	44,749,650	0	5,300,350
8	29-Dec-20	20.00	1,100,000	43,649,650	978,899	2,078,899
9	29-Mar-21*	110.59	6,082,450	37,567,200	0	6,082,450
10	29-Mar-21	35.00	1,925,000	35,642,200	954,836	2,879,836
11	29-Jun-21	35.00	1,925,000	33,717,200	779,673	2,704,673
12	29-Sep-21	40.00	2,200,000	31,517,200	737,564	2,937,564
13	29-Dec-21	40.00	2,200,000	29,317,200	689,439	2,889,439
14	29-Mar-22	40.00	2,200,000	27,117,200	641,314	2,841,314
15	29-Jun-22	40.00	2,200,000	24,917,200	593,189	2,793,189
16	29-Sep-22	45.00	2,475,000	22,442,200	545,064	3,020,064
17	29-Dec-22	45.00	2,475,000	19,967,200	490,923	2,965,923
18	29-Mar-23	50.00	2,750,000	17,217,200	436,783	3,186,783
19	29-Jun-23	50.00	2,750,000	14,467,200	376,626	3,126,626
20	29-Sep-23	50.00	2,750,000	11,717,200	316,470	3,066,470

	Amortisation Payment Date	Amortisation Payment (A\$ per Note)	Aggregate Amount of Amortisation of the Notes (A\$)	Aggregate Amortised Face Amount of the Notes (A\$)	Interest (A\$)	Aggregate Amortisation Amount + Interest (A\$)
21	29-Dec-23	50.00	2,750,000	8,967,200	256,314	3,006,314
22	29-Mar-24	163.04	8,967,200	0	196,158	9,163,358

*Unscheduled amortisation amount paid by the Issuer

ANNEXURE B - INSTRUCTION TO SIGN

1 DETAILS OF AUSTRACLEAR HOLDER

Name:

Address:

Phone Number:

2 DETAILS OF NOTES HELD BY AUSTRACLEAR HOLDER

	Aggregate principal amount of Notes held by the Austraclear Holder
A\$37,567,200 in aggregate principal amount outstanding of the 8.75% Fixed Rate Secured Amortising Notes due 29 March 2024 (ISIN: AU3CB0261998)	A\$[●]

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

Name:.....

Name:.....

Name:.....

Name:.....

4 DIRECTION TO SIGN

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

Special Resolution in respect of the Notes					
The Noteholder resolves that the Special Resolution set out in the Notice of Circulating Resolution and Explanatory Memorandum dated 22 March 2021 be voted as follows.					
Noteholder	Name of authorised representative	Outstanding principal amount of Notes to be voted for	Outstanding principal amount of Notes to be voted against	Outstanding principal amount of Notes abstained	Date of signing
Austraclear Ltd		A\$[●]	A\$[●]/Nil	A\$[●]/Nil	

SIGNING PAGE

Signing Instructions:

Austraclear Holders are requested to:

- 1 select the appropriate execution clause from those set out below (or if the appropriate execution clause is not set out below, insert the appropriate execution clause);
- 2 sign and date it accordingly; and
- 3 deliver the completed Instruction to Sign form by email to the Note Trustee at the following details, by no later than 10.00 am (Sydney time) on Wednesday 31 March 2021:

Attention: Manager, Agency & Trustee

Email: csf.team@perpetual.com.au

Executed as a deed on 2021

EXECUTED by)	
)	
.....)	
Name of Austraclear Holder)	
)	
.....)
Company Secretary/Director)	Director
)	
.....)
Name of Company Secretary/Director (block letters))	Name of Director (block letters)

OR

SIGNED by)	
)	
.....)	
Name of Attorney)	
as attorney for:)	
)	
.....)
<i>[insert name of Austraclear Holder]</i>)	By executing these Instructions to Sign
pursuant to power of attorney in the)	the attorney states that the attorney has
presence of:)	received no notice of revocation of the
)	power of attorney and has included a
.....)	certified copy of the power of attorney
Signature of witness)	with these Instructions to Sign.
)	
.....)	
Name of witness (block letters))	

OR

SIGNED by)
)
)
)
 as Authorised Representative for)
)
)
 [*insert name of Austraclear Holder*])
 in the presence of:)
)
)
 Signature of witness)
)
)
 Name of witness (block letters))

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

OR INSERT OTHER BELOW

ANNEXURE C – NOTIFICATION OF VOTING INTENTION RECEIVED FROM AUSTRACLEAR HOLDERS

[To be provided by the Issuer to Austraclear]

[If at any time on or prior to 10.00 am on Wednesday 31 March 2021 the Note Trustee has received Instruction to Sign in favour of the Special Resolution from Noteholders of at least 75% of the aggregate principal amount of Notes outstanding, this Notification of Voting Intention will operate as a “Certificate of Instructions to Sign” from the Note Trustee to Austraclear instructing Austraclear to sign the Circulating Resolution]

[Letterhead of the Issuer]

Amendment of the Conditions of the following Notes

Issuer	ISIN	Title	Status	Aggregate outstanding principal amount
Armour Energy Limited	AU3CB0261998	8.75% Fixed Rate Secured Amortising Notes due 29 March 2024	Secured	A\$37,567,200

Date: **[●] March 2021**

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

We refer to the Notice of Circulating Resolution and Explanatory Memorandum dated 22 March 2021 (“**Notice of Circulating Resolution**”) in respect of the proposed amendments to the Conditions of the Notes (“**Proposed Amendments**”). We confirm that a Special Resolution in the form set out in the Notice of Circulating Resolution is required to give effect to the Proposed Amendments. Terms not defined in this notice have the meanings given in that Notice of Circulating Resolution.

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

We certify that we received instructions from the Note Trustee that, as at [●][am/pm] on [●] March 2021, the Note Trustee had received validly completed Instructions to Sign in respect of the Special Resolution from Austraclear Holders (or nominee Austraclear Holders) in whose Security Record the Notes are held, in the form satisfactory to the Note Trustee in respect of Notes representing A\$[●] in aggregate principal amount outstanding.

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

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

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

Special Resolution

[The full text of the Special resolution will be included in the Notice issued to Austraclear]

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

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

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

Armour Energy Limited

.....
Signature of director

.....
Signature of director/company secretary

.....
Name of director

.....
Name of director/company secretary

CIRCULATING RESOLUTION

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

Date: [●] March 2020

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

<u>Issuer</u>	<u>ISIN</u>	<u>Title</u>	<u>Status</u>	<u>Aggregate outstanding principal amount</u>
Armour Energy Limited	AU3CB0261998	8.75% Fixed Rate Secured Amortising Notes due 29 March 2024	Secured	A\$37,567,200

Austraclear Ltd refers to the Notice of Circulating Resolution and Explanatory Memorandum dated [to be inserted] (“**Notice of Circulating Resolution**”) in respect of the proposed amendments (“**Proposed Amendments**”) to the Conditions of the Notes.

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

Capitalised terms

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

Special Resolution

[The full text of the Special resolution will be included in the Notice issued to Austraclear]

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

SCHEDULE TO THE CIRCULATING RESOLUTION

Scheduled Amortisation Amounts

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

	Amortisation Payment Date	Amortisation Payment (A\$ per Note)	Aggregate Amount of Amortisation of the Notes (A\$)	Aggregate Amortised Face Amount of the Notes (A\$)	Interest (A\$)	Aggregate Amortisation Amount + Interest (A\$)
1	29-Jun-19	Nil	Nil	55,000,000	1,203,125	1,203,125
2	29-Sep-19	Nil	Nil	55,000,000	1,203,125	1,203,125
3	29-Dec-19	Nil	Nil	55,000,000	1,203,125	1,203,125
4	29-Mar-20	50.00	2,750,000	52,250,000	1,203,125	3,953,125
5	29-Jun-20	20.00	1,100,000	51,150,000	1,142,969	2,242,969
6	29-Sep-20	20.00	1,100,000	44,749,650	1,118,906	2,218,906
7	29 Sep 2020*	96.37	5,300,350	44,749,650	0	5,300,350
8	29-Dec-20	20.00	1,100,000	43,649,650	978,899	2,078,899
9	29-Mar-21*	110.59	6,082,450	37,567,200	0	6,082,450
10	29-Mar-21	35.00	1,925,000	35,642,200	954,836	2,879,836
11	29-Jun-21	35.00	1,925,000	33,717,200	779,673	2,704,673
12	29-Sep-21	40.00	2,200,000	31,517,200	737,564	2,937,564
13	29-Dec-21	40.00	2,200,000	29,317,200	689,439	2,889,439
14	29-Mar-22	40.00	2,200,000	27,117,200	641,314	2,841,314
15	29-Jun-22	40.00	2,200,000	24,917,200	593,189	2,793,189
16	29-Sep-22	45.00	2,475,000	22,442,200	545,064	3,020,064
17	29-Dec-22	45.00	2,475,000	19,967,200	490,923	2,965,923
18	29-Mar-23	50.00	2,750,000	17,217,200	436,783	3,186,783
19	29-Jun-23	50.00	2,750,000	14,467,200	376,626	3,126,626

	Amortisation Payment Date	Amortisation Payment (A\$ per Note)	Aggregate Amount of Amortisation of the Notes (A\$)	Aggregate Amortised Face Amount of the Notes (A\$)	Interest (A\$)	Aggregate Amortisation Amount + Interest (A\$)
20	29-Sep-23	50.00	2,750,000	11,717,200	316,470	3,066,470
21	29-Dec-23	50.00	2,750,000	8,967,200	256,314	3,006,314
22	29-Mar-24	163.04	8,967,200	0	196,158	9,163,358

*Unscheduled amortisation amount paid by the Issuer

Executed

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

▲ Signature of witness

▲ Signature of Attorney

▲ Full name of witness (print)

▲ Full name of Attorney (print)

EXPLANATORY MEMORANDUM

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

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

The Notes were issued on 27 March 2019 and amended on 25 March 2020. Since then, the Issuer has continued with development activities associated with its exploration and production tenures in Queensland, the Northern Territory, South Australia and Uganda.

During the second half of 2020, the Issuer's 3 well fracture stimulation work program was delivered along with a number of production enhancement projects. While the Issuer remains encouraged with the outcomes from the enhancement projects and the learnings from the stimulation program, the delivery of the total expected production adds has underdelivered. Specifically, with regards to the 3 wells that were stimulated it was discovered that the frac gel failed to breakdown following proppant replacement, which has impacted gas flows from the targeted reservoirs and causing low-side outcomes. This failure of the gel to breakdown is believed to have occurred on all 3 stimulated wells. A remedial diagnostic frac treatment trial for all three wells was undertaken in early February. The aim of this trial was to determine how best to accelerate the recovery of near wellbore frac fluids by dissolving any residual hydrated polymers from the frac fluid allowing the reservoir greater connectivity to the well bore. It appears this trial was successful in diagnosing the root cause of the problem. The Issuer is considering, subject to technical confirmation that the unbroken gel can be rectified, the possibility of re-stimulating some or all of these 3 wells.

The below expectation outcome from the 2020 work program has resulted in lower production and therefore revenue, impacting the Issuer's operating cash flow forecasts. A significant proportion of the Issuer's cost base is largely fixed and therefore, without the expected uplift in revenue, this lower revenue places pressure on the Issuer's ability to service its current level of debt exclusively from operating cash flow.

Since the issue of the Notes, the Issuer has met some of the shortfall in operating cashflow through successfully completing equity capital raises in September 2019 and October 2020. As announced on 18 March 2021, the Issuer has completed an A\$11.5 million capital raising undertaken by way of a private placement to institutional and sophisticated investors. The proceeds of the Placement will be used to ensure the working capital requirements of the business are met.

Given the lower forecast operating cashflow, the Issuer will pre-fund an account with an amount equal to three times the next interest payment in relation to the Notes. This will provide Noteholders with security and mitigates against the risk in relation to short term cash flow. Noteholders will have interest coverage and certainty for a period of at least nine months under this arrangement.

Demerger of Northern Basin Assets

On 3 March 2021, the Issuer announced to the ASX 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 (see map in Figure 1)) through a new wholly-owned subsidiary, McArthur Oil and Gas Limited. It is proposed that McArthur Oil and Gas Limited will enter into a conditional agreement to acquire from the Issuer the Northern Basin Assets for consideration of A\$40 million subject to amongst other matters, the completion of an IPO and ASX listing of McArthur Oil and Gas Limited (the "Demerger").

Through the IPO, McArthur Oil and Gas Limited will seek to raise circa A\$60 to A\$65 million proceeds through the issuance of new shares to fund both the consideration for the Northern Basin Assets together with McArthur Oil and Gas Limited's forward work programmes. As part of the IPO and, subject to the Issuer's shareholder approval, the Issuer intends to distribute a minimum 33.3% shareholding interest in McArthur Oil and Gas Limited to Issuer's shareholders on a tax-effective in-specie basis shares by way of a return of capital to existing shareholders of the Issuer as of a record date to be set by the Issuer closer to the time of the execution of the Demerger. Upon completion of the sale of the

Northern Basin Assets and the in-specie distribution of shares in McArthur Oil and Gas Limited to shareholders of the Issuer, shareholders of the Issuer will hold a direct interest in two separately listed companies. The Issuer will retain no interest in the Northern Basin Assets or in McArthur Oil and Gas Limited.

Following the completion of the Demerger, the Issuer will focus on reinvigorated exploration in both the Surat and Cooper Basin business units and continued production enhancement within the Surat region. If the Demerger and IPO are ultimately successful, the Issuer intends to use the consideration received from McArthur Oil and Gas Limited for the Northern Basin Assets to retire a proportion of some or all of its outstanding debt. Successful completion of the proposed Demerger transaction is expected to result in the Issuer strengthening its balance sheet and both McArthur Oil and Gas Limited and the Issuer being well-funded to progress their respective exploration, development and production programmes. The proposed separation will also provide the Issuer greater flexibility to pursue further project opportunities.

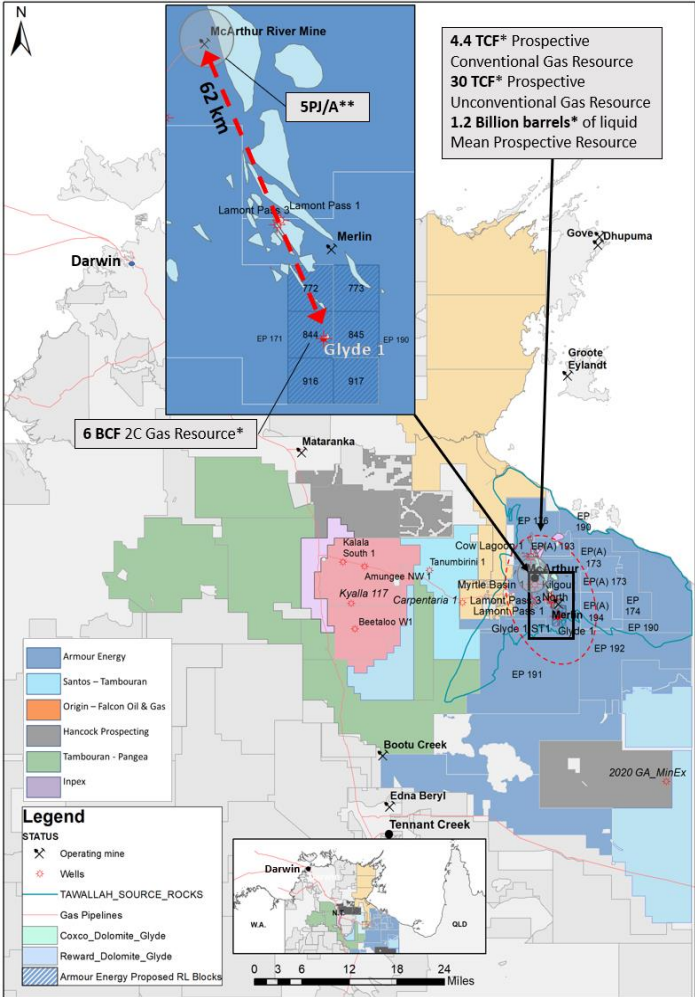


Figure 1 – Northern Basin Assets

Completion of transaction with Santos for South Nicholson Basin assets

Furthermore, in February 2021, the Issuer completed the sale and purchase agreement with Santos QNT Pty Ltd to sell the Issuer’s remaining interest in several South Nicholson Basin permits. As a result of these sale proceeds, the Issuer was able to further reduce its outstanding long-term debt by approximately A\$6.08 million by way of an unscheduled amortisation payment on the Secured Amortising Notes. Since 1 January 2020, the Issuer has reduced its Secured Amortising Notes by 32% from \$55.0 million to A\$37.6 million as a result of the sale of its South Nicholson Basin assets (Note A\$6.1 million is being held in trust until the next Payment Date).

Extension of environmental bonding finance facility

On 25 July 2018, the Issuer's subsidiary (Armour Energy (Surat Basin) Pty Ltd "**Armour Surat**") entered into a credit facility agreement with Tribeca Investment Partners Pty Ltd, Equity Trustees Limited (in its capacity as the trustee of the Tribeca Global Natural Resources Credit Fund) and Tribeca Global Natural Resources Credit Master Fund (**Tribeca**) for the provision by Tribeca of a A\$6,800,000 environmental bonding finance facility (**Principal Outstanding**) to Armour Surat.

As announced to the ASX on 11 March 2021, the Issuer is taking steps to reduce the Principal Outstanding by approximately A\$1,100,000 as a result of the Queensland Government's Department of Environment and Science confirming a reduction in the amount of financial assurances required under the Issuer's environmental authorities.

The Principal Outstanding was due to be repaid on 25 July 2021. However, the Issuer is in discussion with Tribeca to extend the repayment date for a period of 65 days until 30 September 2021, to align with the expected date for the demerger of the Northern Basin Assets, in consideration for a payment fee of A\$28,500. Following the demerger, the Issuer will determine whether it will repay the balance of the Principal Outstanding in full, or in part in which case it will need to further extend the repayment date or refinance.

Looking at each of these issues in greater detail.

A. An amended "Schedule - Scheduled Amortisation Amounts"

The Issuer is seeking to update the Scheduled Amortisation Amounts attached as a schedule to the Pricing Supplement prepared on 25 March 2020 to reflect the A\$11,382,800 of unscheduled amortisation payments made in the last 12 months.

B. The Issuer's operations

Amendments to: Condition 1.2 ("Definitions"), Condition 5.1(a) ("Financial undertakings – Debt Service Cover Ratio"), Condition 5.1(c) ("Financial undertakings – Leverage Ratio"), Condition 5.1(d) ("Financial undertakings - Cash Balance") and Condition 5.3(b) ("Limit on incurring Financial Indebtedness"), and a new Condition 5.9C ("Interest Reserve Account").

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

If the Special Resolution is passed:

- a) the Issuer will be relieved of specific obligations under Conditions 5.1(a) ("Financial undertakings – Debt Service Cover Ratio") and Condition 5.1(c) ("Financial undertakings – Leverage Ratio") until 31 December 2021 and the minimum cash balances to be maintained by the Issuer in Condition 5.1(d) ("Financial undertakings - Cash Balance") will be reduced;
- b) the Issuer will maintain an amount equal to three times the amount due on the next quarterly interest payment to be held in an account in the name of the Note Trustee. As the principal amounts outstanding in respect of the Notes reduce over time (resulting in a consequential reduction in the amount of interest payable at each Interest Payment Date), any cash remaining in the account which is in excess of the required funds to be maintained are to be returned to the Issuer; and
- c) the limit for an Obligor to incur Financial Indebtedness under Condition 5.3(a)(v) will be increased from A\$200,000 to A\$1,000,000 in aggregate to enable the Company to enter into arrangements to pay services in instalments.

Background

The Issuer planned and delivered a substantial work program in late-2020 that would have seen production rise to around approximately 10+ TJ/day initially. However, the Issuer's ability to deliver its intended work program through 2020 was impacted due to:

- (a) COVID-19 (Novel Coronavirus) (“**COVID-19**”) delays; and
- (b) Frac gel failing to breakdown following proppant replacement, impacting matrix flow and causing low-side outcomes.

This has resulted in lower than anticipated production and lower than anticipated revenues, cashflow and profitability (EBITDA).

Further, the Issuer was impacted by the global effects of the COVID-19 as it impacts the oil price and the Australian gas market.

The Issuer currently has exposure to the DomGas market via its current gas contracts with Australia Pacific LNG (“**APLNG**”). The Issuer's contract structure with APLNG requires the delivery of 5TJ/d on a take-or-pay “firm” basis and up to 5TJ/d on a flexible “as-available” basis. Due to the flexible contract with APLNG, the Issuer is exposed to the current lower LNG netback price in the DomGas Market, resulting in a net decrease in forecast revenue for 2021.

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

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

- (i) Frac programme wells Horseshoe #4, Horseshoe #2 and Warroon #1 are underperforming due to issues encountered with frac gel failing to breakdown following proppant placement, impacting matrix flow (as announced to the ASX on 27 January 2021);
- (ii) Horseshoe #4 - Initial production rate of 260 mcf/d + liquids;
- (iii) Horseshoe #2 - Initial production rate of 160 mcf/d + liquids; and
- (iv) Warroon #1 - Initial production rate of 400 mcf/d + liquids.

2021 plans

As discussed above, following the completion of the Demerger, the Issuer will focus on reinvigorated exploration in both the Surat and Cooper Basin business units and continued production enhancement within the Surat region.

C. **Unscheduled amortisation payments and Early redemption of the Notes**

Request for amendment to Condition 9.4 (“Early redemption at the option of the Issuer (Issuer Call)”) and 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”)

The Issuer is seeking amendments to the Condition 9.4 (“Early redemption at the option of the Issuer (Issuer Call)”) and Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”).

If the Special Resolution is passed:

1. Condition 9.6A (“Unscheduled amortisation on Farm-In Payments and certain Disposals”) will have the effect that any unscheduled amortisation payments made by the Issuer as a result of certain Permitted Disposals will be paid on the earlier of the following dates:
 - (a) the Interest Payment Date immediately following the date of the Unscheduled Amortisation Notice; and
 - (b) the date that is no less than 15 Business Days following receipt of the Unscheduled Amortisation Notice by the Note Trustee; and
2. Condition 9.4 (“Early redemption at the option of the Issuer (Issuer Call)”) will be amended so that the Issuer will be entitled at any time to redeem some or all of the Notes in consideration of the payment of the Outstanding Principal Amount of each Note being redeemed (plus accrued but unpaid interest), which is a reduction from the previous requirement to pay 103% of the Outstanding Principal Amount of each Note plus a premium (ranging from 3% to 1% depending on which period the redemption occurs).

Background

Following the Demerge or other Disposals, the Issuer will comply with Condition 5.6B (“Use of Disposal Net Proceeds”) and may additionally, redeem some or all of the remaining Notes.

Unscheduled amortisation payments and Early redemption of the Notes

1. In accordance with Condition 5.6B (“Use of Disposal Net Proceeds”), certain Disposals require the Issuer to make an unscheduled amortisation payment on the Notes of not less than 50% of the Net Proceeds of the Disposal. Previously, regardless of the date the unscheduled amortisation payment was made, the unscheduled amortisation payment was held by the Note Trustee on trust and applied to the Notes on the next quarterly Interest Payment Date and this payment did not reduce the amount of interest payable by the Issuer.

If the Special Resolution is passed, any unscheduled amortisation payment made by the Issuer will be paid on the earlier of the following dates:

- (a) the Interest Payment Date immediately following the date of the Unscheduled Amortisation Notice; and
 - (b) the date that is no less than 15 Business Days following receipt of the Unscheduled Amortisation Notice by the Note Trustee.
2. The Issuer currently may redeem all or some of the Notes at any time before the Maturity Date, as follows:
 - (a) on each Interest Payment Date during the period between the First Optional Redemption Date (29 March 2021) to (but excluding) the Second Optional Redemption Date (29 March 2022), by payment of 103% of the Outstanding Principal Amount of each Note being redeemed;
 - (b) on each Interest Payment Date during the period between the Second Optional Redemption Date to (but excluding) the Third Optional Redemption Date (29 March 2023), by payment of 102% of the Outstanding Principal Amount of each Note being redeemed;
 - (c) on each Interest Payment Date during the period between the Second Optional Redemption Date to (but excluding) 29 December 2023, by payment of 101% of the Outstanding Principal Amount of each Note being redeemed; and

- (d) on any date after (and including) 29 December 2023, by payment of the Outstanding Principal Amount of each Note being redeemed.

If the Special Resolution is passed, the Issuer will be entitled at any time to redeem some or all of the Notes in consideration of the payment of 100% the Outstanding Principal Amount of each Note being redeemed (plus accrued but unpaid interest). Specifically it will enable the Issuer to use any further funds paid to it as a result of a Disposal (including the demerger of the Northern Basin Business, described above) to redeem further Notes from time to time.

D. Extension of environmental bonding facility

As required under clause 9.4 of the Priority Agreement, the Issuer is seeking consent from the Noteholders (which in turn will enable the Security Trustee to provide its consent) to enable the Issuer to amend the terms of the SP1 Facility Agreement to extend the due date for repayment of the Principal Outstanding by 65 days from 25 July 2021 to 30 September 2021.

Background

On 25 July 2018, the Issuer's subsidiary, Armour Surat, entered into the SP1 Facility Agreement for the provision of an environmental bonding finance facility in the amount of A\$6,800,000 (**Principal Outstanding**) to Armour Surat. As announced to the ASX on 11 March 2021, the Issuer is taking steps to reduce the Principal Outstanding by approximately A\$1,100,000 as a result of the Queensland Government's Department of Environment and Science confirming a reduction in the amount of financial assurances required under the Issuer's environmental authorities.

The Principal Outstanding was due to be repaid on 25 July 2021. To align the repayment date with the expected completion date for the demerger of the Northern Basin Assets, the Issuer is seeking to extend the repayment date of the Principal Outstanding for a period of 65 days until 30 September 2021 in consideration for a payment fee of A\$28,500.

Pursuant to clause 9.4(b) of the Priority Deed, SP1 may not amend the terms of the SP1 Facility Agreement so as to change the amount, repayment profile, tenor or interest rate, without the prior consent of the Security Trustee (which consent must not unreasonably be withheld and must be in accordance with the Security Trust Deed). The Issuer considers that the extension to the repayment date is an amended to the 'repayment profile' and accordingly, the consent of the Security Trustee (and consequently the consent of the Noteholders to instruct the Security Trustee) is required.

If the Special Resolution is passed, the Issuer will seek to amend the date for the repayment of the Principal Outstanding on the terms set out above. Following the demerger of the Northern Basin Assets, the Issuer will determine whether it repays the balance of the Principal Outstanding in full or in part in which case it will need to further extend the repayment date or refinance.

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

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