



# Supplementary Prospectus

**Armour Energy Limited ACN 141 198 414 (Company)**

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This Supplementary Prospectus is dated 17 May 2022 and was lodged with the ASIC on 17 May 2022 (**Supplementary Prospectus**). This Supplementary Prospectus supplements and is intended to be read together with the prospectus dated 22 April 2022 issued by the Company (**Prospectus**).

ASIC, ASX Limited (**ASX**), and their officers take no responsibility as to the contents of this Supplementary Prospectus. This Supplementary Prospectus shall be read in its entirety together with the contents of the Prospectus. If you are in any doubt as to the contents of this document, you should consult your professional advisers without delay.

Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms used in this Supplementary Prospectus shall have the same meaning ascribed to them in the Prospectus. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, the provisions of this Supplementary Prospectus will prevail.

The Company has issued an electronic version of this Supplementary Prospectus, and the Prospectus. Electronic versions of each may be accessed at <https://www.armourenergy.com.au/>.

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.**

## 1. Background and Purpose of this Supplementary Prospectus

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The purpose of this Supplementary Prospectus is to provide supplemental information in relation to the issue and subsequent sale arrangements in relation to the Placement Share and Placement Options (that are to be issued under the Prospectus) between the Company, PECAL and Talbragar.

## 2. Placement Shares and Placement Options

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### 2.1 Introduction

The Placement Shares and Placement Options (**Placement Securities**) are being issued under the Prospectus to PECAL and Talbragar (collectively the **Placees**) primarily to prevent any trading restriction to enable the sale of those Placement Securities for the purposes of applying the Proceeds to repay the Tribeca Facility (**Repayment Arrangements**).

The issue of the Placement Securities and the Repayment Arrangements generally have been approved by shareholders at the Company's extraordinary general meeting (**EGM**) held on 4 April 2022. Details regarding the issue of the Placement Shares and Placement Options, the Repayment Arrangements (together with its respective advantages and disadvantages to shareholders and Company) are set forth in the Company Notice of EGM located at <https://www.armourenergy.com.au/>.

The Company is seeking under this Supplementary Prospectus to provide further details regarding the:

- (a) Company's relationship and commercial arrangements with the Placees;
- (b) manner in which the Placement Securities will be issued to the Placees; and
- (c) Repayment Arrangement.

### 2.2 The Company and the Placees

As at the date of the Prospectus:

- (a) Talbragar is an existing unrelated shareholder of the Company, holding approximately 0.06% of the then issued share capital and 0.67% of the listed Options in the Company;
- (b) PECAL was not a share or option holder of the Company.

As at the date of this Supplementary Prospectus, the following Placement Securities have been issued:

| Shareholder | Issued Shares | Remainder Shares to be issued  |
|-------------|---------------|--------------------------------|
| Talbragar   | 45,000,000    | 100,000,000                    |
| PECAL       | 0             | 145,000,000                    |
| Shareholder | Issued Option | Remainder Options to be issued |
| Talbragar   | 12,083,332    | 12,083,334                     |
| PECAL       | 0             | 24,166,667                     |

## 2.3 Repayment Arrangements

The Repayment Arrangements are disclosed in detail in Section 1.2 of the Prospectus. In addition to that disclosure the Company wishes to provide additional disclosure relating to the mechanics relating the issue of the Placement Securities and the Repayment Arrangements.

In particular, the Company:

- (a) intends to issue the Placement Shares and Placement Options in stages to each of Talbragar and PECAL to satisfy the on-sell requirements of each Placee and otherwise ensure that, at no point, either Placee will hold more than 5% of the issued share capital of the Company;
- (b) is not involved in directing either Placee to identify subsequent third parties to acquire the Placement Securities;
- (c) remains liable for the Tribeca Facility; and
- (d) has agreed to indemnify each of Talbragar and PECAL in relation to any tax arising in connection with the Repayment Arrangements.

(the **Transaction**).

Talbragar and PECAL have agreed to assume liability under the Tribeca Facility on a limited recourse basis. This is limited to the value of the Proceeds. The Company has agreed to indemnify each of Talbragar and PECAL for the balance where the Proceeds are insufficient to repay the Tribeca Facility. Where the Proceeds are not sufficient to repay the Tribeca Facility the Company will be required to satisfy the residual repayment obligations from its own cash resources.

The Board considers that this transaction with the Placees, as described above, and in Section 1.2 of the Prospectus was entered into on commercial, arms' length terms.

## 2.4 Use of Proceeds

The Placement Shares and Placement Options were issued to facilitate the repayment of the Tribeca Facility.

The Company anticipates that the sale of the Placement Securities may be insufficient to repay the Tribeca Facility (which at the date of this Prospectus is approximately \$5.45 million, inclusive of capitalised Q1 interest). The following table is provided for illustrative purposes only of the possible Proceeds from the sale of the Placement Securities (based on the closing market price on 12 May 2022):

| Placement Securities     | 25% Decrease     |                     | Current Market Price |                     | 25% Increase    |                     |
|--------------------------|------------------|---------------------|----------------------|---------------------|-----------------|---------------------|
|                          | Shares - \$0.006 | Options – \$0.001** | Shares - \$0.008     | Options – \$0.001** | Shares - \$0.01 | Options – \$0.001** |
| 290,000,000 Shares       | \$1,740,000      |                     | \$2,320,000          |                     | \$2,900,000     |                     |
| 48,333,333 Listed Option |                  | \$48,333.33         |                      | \$48,333.33         |                 | \$48,333.33         |
| <b>Total Proceeds***</b> | \$1,788,333.33   |                     | \$2,368,333.33       |                     | \$2,948,333.33  |                     |
| <b>Balance</b>           | \$3,661,666.67   |                     | \$3,081,666.67       |                     | \$2,501,666.67  |                     |

**\*\*Note:** represents the trading price as at 12 May 2022 for the Listed Options. A 25% increase would not change the underlying trading price. Under ASX Market Trading Rules, a listed security cannot trade at less than \$0.001.

**\*\*\*Note:** this figure does not account for any applicable taxes or duty associated with the sale of the Placement Securities or the Placees' reasonable selling costs (which are to be paid out of the Proceeds). The Company does not anticipate that it will be required to pay any tax incurred by either Placee or on its own account as a consequence of the sale of the Placement Securities. The above does not account for the payment of any Extension Fee which would not be payable on above Proceeds derived under the any scenario described above. Further details on the calculation and quantum of Proceeds to require the payment of the Extension Fee is set out in section 2.5 below.

Where the Proceeds from the sale of the Placement Shares and Placement Options are insufficient to fully discharge the monies owing under the Tribeca Facility, the Company will satisfy any balance from its cash reserves.

## 2.5 Placement Shares and Placement Options

The Company is obliged to repay the Tribeca Facility by 20 June 2022 (**Repayment Date**). Where the Tribeca Facility is repaid by that date but Talbragar and PECAL have not sold all the Placement Shares and Placement Options, Talbragar and PECAL are obliged under the Transaction to sell the Placement Shares and Placement Options on or before 30 September 2022 unless otherwise extended (**Deadline**). Under the terms of the Tribeca Facility Amendment Agreements, should the Placement Securities not be sold by the Repayment Date, the Proceeds derived after the Repayment Date and the Deadline will be directed to Tribeca in full satisfaction of the Extension Fee payable by the Company to Tribeca under the Tribeca Facility.

The Extension Fee is an amount payable (only out of Proceeds) calculated as follows:

- (a) Any additional Proceeds exceeding the principal and interest owing under the Tribeca Facility (currently approximately \$5.45 million, inclusive of capitalised Q1 interest) up to a maximum Proceeds amount of \$7.54 million (if any); and
- (b) 50% of all Proceeds greater than \$7.54 million (if any).

The Company has not set pricing parameters for the sale of the Placement Shares and the Placement Options. The Company intends to issue the Placement Securities to the Placees periodically in a manner that is sufficient to meet the third party demand for the on-sale of Placement Securities to ensure that neither Placee holds a substantial shareholding interest (5% of the Company) or otherwise a residual holding that is unable to be sold to a third party prior to the Deadline. The Company is issuing the Placement Securities in discrete parcels to ensure the Placement Securities are not warehoused by either Placee and are otherwise able to be sold expediently follow their issue. Where the Placees hold Placement Securities after the Deadline, the Company will utilise all reasonable endeavours to assist with the facilitation of the sale of those Placement Securities and will consider alternative approaches where necessary (including for example, a selective share buy-back). PECAL and Talbragar will sell the Placement Securities on-market or by using brokers.

Neither PECAL nor Talbragar hold (or are required to hold) an Australian Financial Services Licence (AFSL) to facilitate the sale of the Placement Securities.

The above mechanics should ensure that the Placees do not hold any Placement Securities (of a material amount) after the Deadline. In the event the Placees hold Placement Securities following the Deadline (**Residual Securities**):

- (c) the Placees will arrange for the orderly sale and remittance of resultant sale proceeds of the Residual Securities to the Company; and

- (d) the Company intends to require the Placees to forgo any voting rights under the Residual Securities.

The Company also intends to require the Placees to forgo any voting rights attaching to the Placement Shares (or any Shares issued as a result of the exercise of a Placement Option) while the Placees hold the Placement Shares prior to and before 30 September 2022.

## 2.6 Engagement Fee

Under the Transaction, each of Talbragar and PECAL are entitled to and will receive the following engagement fee:

- (a) 1.5% (exclusive of GST) brokerage on the Proceeds;
- (b) 5,000,000 shares in the Company;
- (c) 10,000,000 listed options (on the same terms as the Placement Securities, ASX: AJQOA); and
- (d) recovery of legal costs and outlays capped at \$10,000.

The Company is of the view that the above fees are commensurate and standard for an engagement of this type.

## 2.7 Talbragar

Peter Wright is the sole director and shareholder of Talbragar. Peter Wright is also a director of DGR Global Ltd (**DGR**), the Company's largest shareholder.

The Board considers that the transaction with Talbragar is on identical terms as the transaction with PECAL and is therefore on arms' length commercial terms.

## 3. Options

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As set out in the Prospectus, the following Placement Options are to be issued pursuant to the Prospectus:

- (a) 48,333,333 to Talbragar River Holdings Pty Ltd (**Talbragar**) and PECAL Pty Ltd (**PECAL**); and
- (b) 48,333,334 to 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 (together, **Tribeca**).

The terms of the Placement Options are identical to the terms of the Listed Options of the Company. In particular, each Placement Option is convertible into one Share in the Company.

## 4. Expenses of the Offer

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The expenses connected with the Offer as contemplated under the Prospectus is \$53,206. These are expenses related to the Offer and therefore do not include the payments to be made to each Placee which are described in Section 2.6 above.

The Company has incurred further expense in connection with the preparation of the Supplementary Prospectus.

**5. Definitions**

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Terms not otherwise defined in this Supplementary Prospectus have the meaning ascribed to that term in the Prospectus.

**6. Directors' statement**

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

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



A handwritten signature in blue ink, appearing to read 'Mather', is written over a horizontal dotted line.

Nicholas Mather

Director