

ASX Announcement



19 October 2023

Corporate Update:

- Non-Binding Proposal to Acquire Armour Energy
 - Secured Amortising Notes
-

Further to the ASX Announcement of 16 August 2023, the Directors of Armour Energy Limited (**Armour** or the **Company**) are pleased to provide an update with respect to the indicative, non-binding, confidential and conditional proposal from Shunkang Holding Group (**Shunkang**) for a potential acquisition of 100% of the fully diluted share capital of the Company.

Armour has continued to engage with Shunkang regarding a proposed transaction and are continuing to negotiate key commercial aspects of a potential transaction and, whilst progress is being made, no agreement has yet been reached with Shunkang.

The potential change of control transaction that the parties are negotiating is currently intended to be by way of a Scheme of Arrangement, and is currently expected to include the following terms:

- Shunkang to acquire all the issued ordinary shares of Armour for cash consideration;
- Shunkang to either provide funding to Armour to redeem the outstanding Secured Amortising Notes or Shunkang to acquire some or all of the outstanding Secured Amortising Notes and agree to an extension to their maturity date; and
- the outstanding Armour convertible notes to either be acquired by Shunkang at face value or Shunkang to provide funding to Armour to enable the notes to be redeemed at face value or for Convertible Notes to be otherwise cancelled by the Company.

In addition, Armour is seeking that Shunkang will provide Armour with loan funding to fund Armour's working capital requirements through the scheme process.

Armour and Shunkang have progressed to a due diligence phase to assist in reaching agreement on key transaction terms and structure.

Armour anticipates that if agreement is reached on the commercial terms for a change of control transaction that exclusivity arrangements will be entered into with Shunkang for the balance of the due diligence period and that during this phase Armour will be subject to usual form "no shop", "no talk" and "no due diligence" exclusivity restrictions (with the latter 2 restrictions being subject to fiduciary carve outs).

Any control transaction with Shunkang is expected to be subject to a number of key conditions including:

- Shunkang obtaining all necessary regulatory approvals;
- Armour obtaining all requisite court and shareholder approvals;
- Shunkang being satisfied with the outcome of its due diligence investigations;
- Execution by the parties of definitive binding transaction documentation;
- The recommendation of the Armour Board to vote in favour of the scheme subject to there being no superior proposal;
- An independent expert's report supporting the transaction; and
- There being in relation to Armour no material adverse change, no prescribed occurrences and no material acquisitions or disposals or joint ventures in respect of Armour's assets.

Any proposed transaction will also likely be subject to other conditions that are typical for a Scheme of Arrangement.

Whilst the parties have agreed to proceed to a due diligence phase, it is important to note that no binding documentation has yet been entered into in respect of the transaction, and there can be no guarantee that any such documentation will be entered into. There can also be no guarantee that even if such documentation is entered into, that a successful transaction will ultimately be consummated. Accordingly, Armour shareholders are advised to take no action at this time.

Armour will continue to keep Shareholders informed about the Amended Proposal in accordance with its continuous disclosure obligations.

Secured Amortising Notes

Armour made its quarterly interest payment on 29 September 2023 on the Secured Amortising Notes but did not make the \$2.75M scheduled principal payment and as such an event of default is subsisting under the terms of issue of the Secured Amortising Notes. Over the last 2.5 years the Secured Amortising Note debt has been reduced from \$55M to approximately \$14.5M and is currently approximately \$10M ahead of the original principal amortisation schedule through capital raisings, cashflow from operations and asset sales.

Armour is proposing, subject to obtaining necessary Noteholder consent and approvals by way of Special Resolution of Noteholders, to:

- defer the 29 September 2023 \$2.75M scheduled principal payment until 30 November 2023;
- obtain from Noteholders a waiver of current breaches of certain Financial Undertakings and non-payment breaches pursuant to the terms of issue of the Notes; and
- Seek an extension from Noteholders to defer repayment of the remaining full outstanding balance of the Secured Amortising Notes until completion of the proposed change of control transaction currently being progressed with Shunkang as noted above.

The consents, approvals and waivers required to be obtained from the Secured Amortising Noteholders will be requested of Noteholders by way of a proposed Special Resolution of Noteholders and accompanying explanatory memorandum to be provided to Secured Amortising Noteholders shortly. Whilst Armour has been successful in obtaining similar consents, approvals and waivers from Secured

Amortising Noteholder in the past, there is no guarantee that these will be provided again by Noteholders in the current circumstances.

This Announcement has been authorised & approved by the Board of Armour Energy for ASX lodgement.

Geoff Walker
CFO & Company Secretary

**ASX: AJQ Electronic copies & more info available on our website: www.armourenergy.com.au
For more information please email: info@armourenergy.com.au**

Nick Mather Executive Chair
nmather@armourenergy.com.au

Christian Lange | CEO
clange@armourenergy.com.au

Geoff Walker CFO & Co Sec
gwalker@armourenergy.com.au