

ASX Announcement

Armour Announces Launch Of \$32m Capital Raising Program

23 March 2023

Not for release to US wire services or distribution in the United States

Armour Energy Limited (**Armour** or the **Company**) (ASX:AJQ), an Australian exploration and production company with a vast portfolio of conventional and unconventional resources, is pleased to announce the launch of a fully underwritten \$32.0 million capital raising program.

HIGHLIGHTS

- Armour to raise approximately \$32.0 million (before costs) consisting of:
 - an institutional placement to raise approximately \$2.7 million (**Institutional Placement**);
 - a 1 for 1 accelerated non-renounceable pro-rata entitlement offer to raise approximately \$9.3 million (**Entitlement Offer**); and
 - the issue of new convertible notes (**Armour Notes**) to raise approximately \$20.0 million (**Armour Notes Issue**) subject to shareholder approval and to the consent of holders of Armour's existing Secured Amortising Notes.
- The Institutional Placement and Entitlement Offer are fully underwritten by Wilsons Corporate Finance Limited. The Armour Notes Issue is underwritten by Bizzell Capital Partners Pty Ltd.¹
- The capital raising program is being undertaken as part of Armour's ongoing recapitalisation program allowing for a reduction in Secured Amortising Note debt and a refinancing of the maturing MOG Note debt and to enable exploration and development activities to be undertaken to enhance production.
- As announced to ASX on 20 March 2023, Armour has signed a Master Sales Agreement (**MSA**) with Shell Energy Australia Pty Ltd (**Shell**), a wholly owned subsidiary of the Shell Group, and has entered into an initial gas sales agreement pursuant to the MSA.
- The Directors all intend to participate in the capital raising program, subject to any necessary shareholder approvals.

Armour is raising capital to undertake a recapitalisation that will allow for a reduction and restructuring of debt and to enable more funds to be directed into an integrated production optimization initiative and the approvals and planning phase for the drilling of the Enterprise North well in the Otway Basin. With additional capital, Armour

¹ Refer to slides 34 to 38 of the investor presentation dated Thursday, 23 March 2023 for a description of the terms and conditions of the underwriting arrangements with Wilsons Corporate Finance Limited and Bizzell Capital Partners Pty Ltd.



will be able to take advantage of opportunities presented through the robust east coast gas market.

INSTITUTIONAL PLACEMENT

The Company is undertaking the Institutional Placement to raise approximately \$2.7 million (before costs) through the issuance of approximately 663.4 million new fully paid ordinary shares in Armour (**New Shares**) to eligible new institutional investors and existing institutional shareholders.

The Institutional Placement is priced at \$0.004 per New Share (**Offer Price**), which represents a 33.3% discount to the last traded price of \$0.006 on Wednesday, 22 March 2023. The New Shares issued under the Institutional Placement will be issued within the Company's existing placement capacity under Listing Rule 7.1 (including a standard waiver from ASX to increase the placement capacity by including shares to be issued under the Entitlement Offer), and the Company will seek quotation of the New Shares on ASX upon their issue. Holders of New Shares issued under the Institutional Placement will not be eligible to participate in the Entitlement Offer.

OVERVIEW OF THE ENTITLEMENT OFFER

The Entitlement Offer is comprised of:

- an accelerated institutional offer to eligible institutional shareholders (**Institutional Entitlement Offer**); and
- a retail entitlement offer to eligible retail unitholders (**Retail Entitlement Offer**).

Under the Entitlement Offer, eligible shareholders will have the opportunity to subscribe for 1 New Share for every 1 existing Armour share held as at 7:00pm (AEDT) on Monday, 27 March 2023 (**Record Date**) at the Offer Price (**Entitlement**).

INSTITUTIONAL ENTITLEMENT OFFER

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which will commence on Thursday, 23 March 2023 and is expected to close on Friday, 24 March 2023.

Eligible institutional shareholders can choose to take up all, part, or none of their Entitlement. Institutional Entitlements cannot be traded on the ASX or transferred.

Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to eligible new and existing institutional shareholders concurrently with the Institutional Entitlement Offer.

Armour shares will remain in a trading halt pending completion of the Institutional Entitlement Offer and Institutional Placement (**Institutional Offer**).



RETAIL ENTITLEMENT OFFER

Eligible retail shareholders will be invited to participate in the retail component of the Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Wednesday, 29 March 2023 and close at 5:00pm (AEDT) on Thursday, 20 April 2023. Eligible Retail Shareholders are shareholders on the Record Date who:

- are registered as holders of existing Armour shares;
- have a registered address in Australia or New Zealand as noted on the Company's share register, or are a shareholder that the Company has otherwise determined is eligible to participate in the Retail Entitlement Offer;
- are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States (to the extent such person holds Existing Shares for the account or benefit of such person in the United States);
- were not invited to participate in the Institutional Entitlement Offer and were not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer (other than as nominee or custodian, in each case in respect of other underlying holdings); and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

In addition to each Eligible Retail Shareholder's entitlement under the Retail Entitlement Offer, Eligible Retail Shareholders will be offered the opportunity to apply for additional New Shares under a "top-up" facility (**Top-Up Facility**). Eligible Retail Shareholders are not assured of being allocated any New Shares in excess of their entitlement under the Top-Up Facility. New Shares allocated under the Top-Up Facility will be allocated in accordance with the allocation policy outlined in the Retail Offer Booklet.

If Eligible Retail Shareholders take no action, they will not be allocated New Shares and their Entitlements will lapse. Eligible Retail Shareholders who do not take up their Entitlements in full under the Retail Entitlement Offer will not receive any value or payment for those entitlements they do not take up. The Retail Entitlement Offer is non-renounceable and cannot be traded on ASX or any other exchange, nor can it be privately transferred.

The terms and conditions under which Eligible Retail Shareholders may apply will be outlined in the Retail Offer Booklet, which is expected to be available on the ASX website beginning Monday, 27 March 2023.

Existing shareholders with a registered address outside Australia and New Zealand on the Record Date or who are acting for the account or benefit of persons in the United States will be ineligible to participate in the Retail Entitlement Offer, other than persons that Armour has determined in its discretion are Eligible Retail Shareholders.

ARMOUR NOTES ISSUE



Armour intends to seek shareholder approval at an Extraordinary General Meeting of the Company to be held on Tuesday, 2 May 2023 to undertake the Armour Notes Issue to raise approximately \$20.0 million (before costs) through the issuance of Armour Notes. The Company also intends to seek consent from holders of Secured Amortising Notes for the Armour Notes Issue. A summary of the terms of the Armour Notes is set out in Annexure A to this announcement.

The Notice of Extraordinary General Meeting for the meeting to be held on Tuesday, 2 May 2023 is expected to be dispatched to shareholders on Friday, 31 March 2023. The board of the Company also intends to seek approval to consolidate the Company's securities at the meeting.

USE OF PROCEEDS

The proceeds from the capital raising program will be applied as follows:

- approximately \$24.6 million of funds will be used to pay down debt under the Company's Secured Amortising Notes and refinance the maturing MOG Notes;
- approximately \$4.4 million will be used for Surat Basin production enhancement and optimisation; and
- approximately \$3.0 million will be used in connection with corporate, technical operating costs, costs of the offer and general working capital.

Further information about the use of proceeds is available in the Investor Presentation released to the ASX today. The Company intends to complete its recapitalisation program through the repayment of the balance of the outstanding Secured Amortising Notes prior to their scheduled maturity in March 2024 through a combination of some or all of the following: further Armour Notes issues; gas prepayment arrangements; proceeds from joint venture funding arrangements; and a future equity issue.

SHELL MASTER SALES AGREEMENT

On 20 March 2023, the Company announced that it has entered into a Master Sales Agreement with Shell Energy Australia Pty Ltd to allow the bilateral trading of gas. The key terms of the MSA include:

- Armour and SEAU have entered into a 13-month gas sales agreement (**GSA**) from 1 December 2023 on materially improved pricing;
- the gas price for December 2023 is \$12/GJ, with a material uplift in the contract price in CY 2024 based on forecast 2024 market pricing improvements;
- the MSA provides the framework terms that can be used for transactions to utilise the Newstead Gas Storage facility, 100% owned and operated by Armour, to take advantage of gas demand cycles; and
- Armour, with technical and operational support from SLB (formerly Schlumberger) has developed an extensive program to uplift production from its Surat Basin Portfolio.



UNDERWRITING ARRANGEMENTS

Wilson's Corporate Finance Limited is the lead manager and underwriter in respect of the Institutional Placement and Entitlement Offer. Bizzell Capital Partners Pty Ltd is the lead manager and underwriter in respect of the Amour Notes Issue.

Armour may also undertake a further placement, subject to any necessary shareholder approvals under the ASX Listing Rules or the *Corporations Act 2001* (Cth) (**Corporations Act**), to certain sub-underwriters of the Entitlement Offer up to the amount of their sub-underwriting commitments.

INDICATIVE TIMETABLE

Event	2023
Trading halt and announcement of the Entitlement offer	Thursday, 23 March
Placement and Institutional Entitlement Offer	Thursday, 23 – Friday, 24 March
Announcement of the results of the Placement Institutional Entitlement offer	Monday, 27 March
Trading halt lifted and Shares recommence trading	Monday, 27 March
Entitlement Offer Record Date (7pm AEDT)	Monday, 27 March
Retail Entitlement offer opens (9am AEDT) and retail booklet dispatched	Wednesday, 29 March
Settlement of the Institutional Entitlement Offer	Wednesday, 29 March
Issue of Shares issued under the Institutional Entitlement Offer	Thursday, 30 March
Trading of securities under the Institutional Entitlement offer	Friday, 31 March
Retail Entitlement Offer closes (5pm AEDT)	Thursday, 20 April
Announcement of results of the Retail Entitlement Offer	Wednesday, 26 April
Issue of Shares under the Retail Entitlement Offer	Friday, 28 April
Normal Trading of new Shares under the Retail Entitlement Offer	Monday, 1 May
Notice of EGM for approval of new AJQ notes	Tuesday, 28 March



The timetable above is indicative only. The Company, in consultation with the lead manager and underwriter, reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the Listing Rules and other applicable laws.

This announcement has been authorised and approved by the Board of Armour Energy for lodgement with ASX.

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Annexure A

Summary Terms of Issue of Armour Notes

Issuer	Armour Energy Limited ACN 141 198 414
Offering	Convertible Notes (Notes) to be issued by the Issuer pursuant to the Convertible Note Deed and which will be convertible into shares in the Issuer (subject to the Condition Precedent for Conversion being satisfied).
Face Value	Face Value of \$1.00 per Note
Term	3 years
Maturity Date	31 March 2026
Security / Ranking / Status	<p>Initially the Notes will constitute direct and unsecured obligations of the Issuer and will rank subordinated and be junior to the secured amortising notes issued by Armour Energy.</p> <p>It is the intention for the FIIG Secured Amortising Notes to be repaid and upon repayment, the Notes will be senior secured obligations of the Issuer (subject to any approval required from the Issuer's shareholders for the purposes of the ASX Listing Rules or the Corporations Act, required tenement level security requirements to support Gas Sale Agreements and prepayments).</p> <p>Subject to the initial subordination to the FIIG Secured Amortizing Notes, each Note otherwise ranks for payment in a winding up of the Issuer:</p> <ul style="list-style-type: none"> (1) equally and proportionally with each Note; and (2) ahead of all subordinated debts of the Issuer and ordinary shareholders.
Coupon Rate	<p>10% per annum coupon rate, accrued from the Issue Date.</p> <p>Interest is payable either in cash or, at Armour's election, by the issue to the Noteholder of Armour ordinary shares, issued at a 10% discount to the 30 day volume weighted average price (VWAP) of Armour shares traded on the ASX up to the Interest Payment Date.</p>
Interest Payment Dates	<p>The coupon on the Notes will be payable half yearly for the half year periods to 30 September and 31 March on the following dates:</p> <ul style="list-style-type: none"> - 15 October 2023; - 15 April 2024; - 15 October 2024; - 15 April 2025; - 15 October 2025;



	and will be payable for the period from the last Interest Payment Date to the Maturity Date or Redemption Date.
Conversion	<p>Each Note (and any accrued and unpaid interest due and capitalized) will, subject to satisfaction of the Condition Precedent below, be convertible at the Noteholder's election into fully paid ordinary shares of the Issuer at the higher of a price of 0.6 cents per share.</p> <p>A Noteholder may exercise conversion rights in relation to some, or all, of their Notes at any time (subject to satisfaction of the Condition Precedent for Conversion).</p>
Conversion Protections	Notes will be subject to standard anti-dilution adjustments including share consolidations, share splits, rights issues, bonus issues and reorganisations.
Condition Precedent for Conversion	The Conversion of the Notes for Armour Energy Shares is subject to and conditional upon Armour obtaining any necessary shareholder approvals for the purposes of ASX Listing Rules and the Corporations Act (including section 606 of the Corporations Act).
Noteholder Redemption	Repayment of Face Value and any unpaid interest at the Maturity Date or in the event an Exit Event occurs, or the Issuer commits an Event of Default.
Early Redemption – Takeover Event	<p>The Company may give a Redemption Notice in the event of a Takeover Event.</p> <p>Takeover Event means that if at any time on or before the Maturity Date, an off market bid, a market bid, scheme of arrangement, or offer or invitation is made to all holders of ordinary shares to purchase or otherwise acquire ordinary shares and the bid, scheme or offer becomes unconditional, and the offeror has at least 50% of the voting power (as defined by the Corporations Act) in Armour.</p> <p>Notwithstanding the issue of a Redemption Notice, a Holder may give a Conversion Notice (which will remain subject to any Condition Precedent to Conversion being satisfied and may be expressed to be subject to a Takeover Event completing) in respect of any of its Notes which are the subject of the Redemption Notice up to the before the relevant Redemption Date (or such later time as the Company may agree with the relevant Holder), and only Notes for which Conversion Notices have not been so given or are treated as having not been given will be Redeemed on the specified Redemption Date. In the event of a Early Redemption pursuant to a Takeover Event, a Takeover Early Redemption Fee of 5% of the Face Value of Notes redeemed.</p>
Company Early Redemption Option	The Company may issue a Redemption Notice to Noteholders at any time specifying a Redemption Date no earlier than 30 days after the date of the Redemption Notice.

	Notwithstanding the issue of a Redemption Notice, a Holder may give a Conversion Notice (which will remain subject to any Condition Precedent to Conversion being satisfied) in respect of any of its Notes which are the subject of the Redemption Notice up to the day before the relevant Redemption Date (or such later time as the Company may agree with the relevant Holder), and only Notes for which Conversion Notices have not been so given or are treated as having not been given will be Redeemed on the specified Redemption Date and the applicable Early Redemption Fee and will be payable by the Company to the Noteholder on the Redemption Date and the Early Redemption Options will be issued to the Noteholder subject to receipt of any necessary shareholder approvals under the ASX Listing Rules and the Corporations Act.
Company Early Redemption Fee and Early Redemption Options	If redeemed by the Company an Early Redemption Fee of 3% of the face value of Notes redeemed will be payable to the Noteholder together with the issue to the Noteholder of 33 options for every 1 Note redeemed, exercisable at \$0.006, expiring 31 March 2026 (which is equivalent to options over ~20% of the face value of the Notes redeemed).
Transaction Documents	The parties will enter into the following definitive agreements to document the Note Offer (Transaction Documents): <ul style="list-style-type: none"> - Convertible Note Deed; and - Security Trust Deed.
Events of Default	Customary events of default are to be incorporated in the Transaction Documents for a transaction of this nature, including but not limited to payment, redemption or Conversion breaches, covenant breaches cross defaults, and insolvency events.
Covenants	Customary covenants are to be incorporated in the Transaction Documents applicable to the Issuer and the Parent Company for a transaction of this nature.
No Dividends	No dividends may be declared or paid whilst the Notes are on issue.
Voting Rights	Until Conversion, the Notes do not give a Noteholder voting rights or dividend rights.
Investor Eligibility	The Notes are being offered to 'sophisticated investors', 'professional investors' (under the Corporations Act) and investors who are exempt to disclosure requirements.
Note Trustee and Security Trustee	Centec Securities Pty Ltd

IMPORTANT NOTICE

Not an offer in the United States

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be unlawful. The New Shares have not been, and will not be registered under the US Securities Act of 1933, as amended (US Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, in the United States unless they have been registered under the US Securities Act (which Armour Energy Limited has no obligation or intention to do or procure), or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable U.S. state securities laws.

The information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with Armour Energy Limited's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at www.asx.com.au.

Forward looking statements

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Armour, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based.

These statements may assume the success of Armour's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of Armour, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness



of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to Armour as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Armour, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

General

This announcement is subject to the same "Disclaimers" that appear on slides 2 and 3 of the investor presentation released to the ASX today with any necessary contextual changes.

Own enquiries

Investors should make and rely upon their own enquiries before deciding to acquire or deal in Armour's securities.