

ASX Announcement

26 April 2017

Capital Raising Update

**Convertible Notes Issue to be increased by up to \$10 million taking
Capital Raising program to over \$50 million in total**

**Share Placement completed and Fully Underwritten Entitlement
Offer to be launched shortly**

The Directors of Armour Energy Limited (“Armour” or “the Company”; ASX:AJQ) are pleased to provide an update on the progress of the Company’s capital raising program further to the ASX announcements of 21 November 2016 and 16 December 2016.

Highlights:

- **Capital raising program as previously announced is well progressed with over \$20 million of subscriptions received, a further \$13 million committed subject to condition precedent satisfaction and receipt of any necessary shareholder approvals, and a further \$4.25 million to be underwritten.**
- **Convertible Note issue size proposed to be increased by up to \$10 million to now issue up to \$45 million in convertible notes in total (Convertible Note Issue) subject to finalisation of the necessary approvals. Additional funds to be raised will enable an accelerated ramp up of the Kincora project gas and liquids production and also provide funding towards other growth initiatives.**
- **Launch of previously announced pro-rata non-renounceable entitlement offer of ordinary shares to existing shareholders on a 1 for 6 entitlement basis at an issue price of 7.6c per share to raise approximately \$4.25 million (Entitlement Offer) to occur shortly.**
- **Entitlement Offer is to be fully underwritten by Bizzell Capital Partners, an entity associated with Armour director Stephen Bizzell.**
- **A placement to sophisticated and professional investors who are also sub-underwriters of the Entitlement Offer to raise a further \$1,000,000 has now been completed (Placement). Placement was undertaken at 7.6 cents per share, the same issue price as the proposed Entitlement Offer.**
- **An Extraordinary General Meeting of shareholders to be held to approve various remaining components of the capital raising program.**



The Convertible Note Issue, Entitlement Offer and Placement are part of the previously announced \$40 million capital raising program to fund the start-up of gas and liquids production from the Kincora project, the on-going development of the Kincora field assets, to refinance existing debt facilities and for general working capital purposes. The Company will now be increasing the capital raising program to \$50 million with the \$10 million in additional funds to be raised through increasing the Convertible Note Issue enabling an accelerated ramp up of the Kincora project gas and liquids production and also will provide funding towards other growth initiatives.

Convertible Notes Issue

A total of \$19m worth of Convertible Notes has now been subscribed for to date with a further \$13m committed subject to the satisfaction of certain conditions precedent and the obtaining of any necessary shareholder approvals.

Substantial progress has been made towards satisfaction of the conditions precedent in relation to the further Convertible Notes issue to lead investor (M.H. Carnegie & Co) and others with all bar one of the conditions now satisfied and the last remaining condition expected to be met shortly. Once the remaining condition precedent has been satisfied, a further approximately \$3.25 million of Convertible Note subscriptions will be due and a further approximately \$10 million of subscriptions will be subject only to the obtaining of any necessary shareholder approvals.

Agreement has also been reached with M.H. Carnegie & Co and other existing substantial Convertible Note investors, to allow an increase in the Convertible Note issue size to an overall total of \$45 million subject to note trustee and other approvals and required amendments to the Convertible Notes Trust Deed being made.

The principal terms of the Convertible Notes are as follows:

Issue Price:	Face value of \$0.11 per Convertible Note
Interest Rate:	15% per annum
Interest Payments:	Interest paid half yearly in arrears and the interest may be paid in certain circumstances at Armour's election by the issue of further Convertible Notes
Maturity Date:	30 September 2019
Conversion Terms:	Convertible at any time at the Convertible Note holder's election into one ordinary share in Armour subject to usual adjustment mechanisms in certain circumstances
Security:	The Convertible Notes will be secured over all assets of Armour and will have equal ranking security proportionally with the existing DGR Global Ltd Bridging Finance Facility

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Further details of the Terms of Issue of the Convertible Notes were contained in the Appendix A attached to the Company's ASX Announcement dated 16 December 2016. As contained in the Convertible Notes Terms of Issue, M.H. Carnegie & Co has the right to early redemption of the funds they have subscribed for Convertible Notes in the event certain conditions are subsequently not met or are not waived by them. A number of these early redemption conditions have now been satisfied and others are proposed to be waived or amended.

Entitlement Offer

As previously announced, as part of the capital raising initiatives, Armour will also undertake a pro-rata non-renounceable entitlement offer of ordinary shares to existing shareholders on a 1 for 6 entitlement basis at an issue price of 7.6c per share to raise approximately \$4.25 million (**Entitlement Offer**).

The Entitlement Offer will be fully underwritten by Bizzell Capital Partners Pty Ltd, an entity associated with Armour Director Stephen Bizzell.

Further details with respect to the proposed Entitlement Offer including the offer timetable will be provided to shareholders shortly.

Placement

As also previously advised, separate and distinct from the Entitlement Offer, the Company has undertaken a Placement to sophisticated and professional investors who are sub-underwriters of the Entitlement Offer (**Placement**). This Placement has now been completed and raised \$1,000,000 (before costs) via the issue of 13,157,895 ordinary shares at 7.6 cents per share.

An Appendix 3B – New Issue Announcement and a Cleansing Notice pursuant to section 708AA(7) of the Corporations Act in relation to the Placement are attached.

Substantial Shareholder, Director & Management Support for the Capital Raising Program

Armour's largest shareholder, DGR Global Ltd, is strongly supporting the capital raising initiatives and has committed to subscribe for its pro-rata entitlement in the Entitlement Offer, has entered into a priority sub-underwriting agreement with respect to the Entitlement Offer and has also already subscribed for \$9.4 million worth of Convertible Notes in partial repayment of the DGR Global Ltd Bridging Finance Facility.

All Armour Directors have committed to subscribe for their entitlements in the Entitlement Offer in full. Entities related to Armour Directors Nick Mather and Stephen Bizzell are also partially sub-underwriting the Entitlement Offer and have already subscribed for in aggregate \$1.5 million worth of Convertible Notes and committed to subscribe for up to a further \$1 million of Convertible Notes subject to obtaining shareholder approvals.

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Cornerstone investor in the capital raising program, M.H. Carnegie & Co, are also partially sub-underwriting the Entitlement Offer and have exercised their right of first refusal to commit for a further \$750,000 worth of Convertible Notes taking their current subscribed and committed Convertible Notes participation to \$8.25 million (subject to conditions precedent satisfaction and any necessary shareholder approvals). They also have an option to subscribe for an additional \$5 million worth of Convertible Notes by 31 July 2017.

Armour's management team have also shown strong support for the capital raising program with entities related to Armour's management team including the Acting CEO, CFO, Company Secretary and key operational management having subscribed for approximately \$500,000 worth of Convertible Notes in aggregate.

The Convertible Note issue, Placement and Entitlement Offer are being Lead Managed and arranged by Bizzell Capital Partners Pty Ltd.

A handwritten signature in blue ink, appearing to read "K. Schlobohm".

On behalf of the board
Karl Schlobohm
Company Secretary

For further information contact:

Roger Cressey – Acting CEO
07 – 3303 0620

Karl Schlobohm – Company Secretary
07-3303 0661

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Appendix A: Cleansing Notice

Pursuant to section 708AA(7) of the Corporations Act, Armour provides notice of the following:

1. Armour is issuing the Placement shares without disclosure to investors under part 6D.2 of the Corporations Act.
2. Armour is providing this notice under section 708AA(2)(f) of the Corporations Act.
3. As at the date of this notice, Armour has complied with:
 - (a) the provisions of chapter 2M of the Corporations Act as they apply to Armour; and
 - (b) section 674 of the Corporations Act.
4. As at the date of this notice there is no information:
 - (a) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (b) that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (1) the assets and liabilities, financial position and performance, profits and losses and prospects of Armour; or
 - (2) the rights and liabilities attaching to the New Shares.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

Armour Energy Limited

ABN

60 141 198 414

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|----------------------------|
| 1 | +Class of +securities issued or to be issued | Fully Paid Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 13,157,895 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully Paid Ordinary Shares |

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4	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>
5	Issue price or consideration	<p>\$0.076 per Share</p>
6	<p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Private Placement</p>
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes</p>
6b	<p>The date the security holder resolution under rule 7.1A was passed</p>	<p>14 December 2016</p>
6c	<p>Number of +securities issued without security holder approval under rule 7.1</p>	<p>12,931,820 Convertible Notes 2017.03.28 24,409,002 Convertible Notes 2017.04.05 11,087,890 FPO (Part of this allotment)</p>
6d	<p>Number of +securities issued with security holder approval under rule 7.1A</p>	<p>2,070,005 FPO (Part of this allotment)</p>

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	<ul style="list-style-type: none"> ▪ 120,974,908 Convertible Notes (2016.12.16 pre-approved at 2016 AGM) ▪ 4,545,455 Convertible Notes (2017.01.16 pre-approved at 2016 AGM) ▪ 9,100,000 Convertible Notes (2017.01.30 pre-approved at 2016 AGM) ▪ 1,500,000 Convertible Notes (2017.02.24 pre-approved at AGM of 14.12.2016) ▪ 5,620,358 Convertible Notes - Interest Payment (2017.04.06) <u>Corrected Treatment - approved at AGM 2016.12.14</u> 				
6f	Number of securities issued under an exception in rule 7.2					
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	<p>Yes</p> <p>Issue Price 7.6 cents 15 Day VWAP 7.1 cents Source of data: Comsec Internal calculation of VWAP (24.04.2017)</p>				
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements					
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A - complete Annexure 1 and release to ASX Market Announcements	30,215,803				
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	26 April 2017				
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">336,015,972</td> <td>Ordinary Shares (AJQ)</td> </tr> </tbody> </table>	Number	+Class	336,015,972	Ordinary Shares (AJQ)
Number	+Class					
336,015,972	Ordinary Shares (AJQ)					

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	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	<u>Unrestricted Securities</u>	<u>Unrestricted Securities</u>
	550,000	Unlisted Employment Options (\$0.30@6/02/2018)
	3,150,000	Unlisted Employment Options (\$0.20@29/03/2021)
	3,150,000	Unlisted Employment Options (\$0.35@29/03/2021)
	3,150,000	Unlisted Employment Options (\$0.50@29/03/2021)
	1,500,000	Unlisted Options (\$0.22@14/12/2019)
	1,500,000	Unlisted Options (\$0.27@14/12/2019)
	1,500,000	Unlisted Options (\$0.32@14/12/2019)
	5,000,000	Unlisted Underwriting Options (\$0.20@30/08/2018)
179,081,543	Unlisted Convertible Notes	

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?

12 Is the issue renounceable or non-renounceable?

13 Ratio in which the +securities will be offered

14 +Class of +securities to which the offer relates

15 +Record date to determine entitlements

- 16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?
- 17 Policy for deciding entitlements in relation to fractions
- 18 Names of countries in which the entity has +security holders who will not be sent new issue documents
Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.
- 19 Closing date for receipt of acceptances or renunciations
- 20 Names of any underwriters
- 21 Amount of any underwriting fee or commission
- 22 Names of any brokers to the issue
- 23 Fee or commission payable to the broker to the issue
- 24 Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders
- 25 If the issue is contingent on +security holders' approval, the date of the meeting
- 26 Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled
- 27 If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders

+ See chapter 19 for defined terms.

- 28 Date rights trading will begin (if applicable)
- 29 Date rights trading will end (if applicable)
- 30 How do +security holders sell their entitlements *in full* through a broker?
- 31 How do +security holders sell *part* of their entitlements through a broker and accept for the balance?
- 32 How do +security holders dispose of their entitlements (except by sale through a broker)?
- 33 +Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000

10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)	<input type="text"/>	<input type="text"/>

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Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



KM Schlobohm
Company Secretary

26 April 2017

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Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for ⁺ eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
<i>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</i>	
<i>Insert</i> number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	322,858,077
<i>Add</i> the following: <ul style="list-style-type: none"> • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period <i>Note:</i> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
<i>Subtract</i> the number of fully paid ordinary securities cancelled during that 12 month period	
“A”	322,858,077

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Step 2: Calculate 15% of "A"	
"B"	0.15 [Note: this value cannot be changed]
Multiply "A" by 0.15	48,428,712
Step 3: Calculate "C", the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p>Note:</p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>12,931,820 Convertible Notes 2017.03.28</p> <p>24,409,002 Convertible Notes 2017.04.05</p> <p>11,087,890 (Part of this allotment)</p>
"C"	48,428,712
Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1	
"A" x 0.15 Note: number must be same as shown in Step 2	48,428,712
Subtract "C" Note: number must be same as shown in Step 3	48,428,712
Total ["A" x 0.15] - "C"	Nil

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	322,858,077
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	32,285,808
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	2,070,005 (Part of this allotment)
“E”	2,070,005

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Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 <i>Note: number must be same as shown in Step 2</i>	32,285,808
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	2,070,005
Total ["A" x 0.10] - "E"	30,215,803 <i>Note: this is the remaining placement capacity under rule 7.1A</i>