

# **Notice of Extraordinary General Meeting and Explanatory Memorandum**

## **Armour Energy Limited**

Date of Meeting: Wednesday, 31 May 2017

Time of Meeting: 11:00am (Brisbane time)

Place of Meeting: Level 7, Waterfront Place 1 Eagle Street, Brisbane Qld  
4000

Notice is hereby given an Extraordinary General Meeting of shareholders of Armour Energy Limited ACN 141 198 414 (**Company**) will be held at the offices of HopgoodGanim, Level 7, Waterfront Place 1 Eagle Street, Brisbane Qld 4000 on 31 May 2017, at 11:00am (Brisbane time).

## Agenda

### ORDINARY BUSINESS

## Resolution 1. Ratification of 37,340,912 Previously Issued Convertible Notes

To consider and, if thought fit, pass the following Ordinary Resolution with or without modification:

*“That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, Shareholders ratify the previous issues by the Company of a total of 37,340,912 Convertible Notes at an issue price of \$0.11 per note from 15 March 2017 to 6 April 2017 to those recipients set out and in those proportions and otherwise on terms set out in the Explanatory Memorandum, accompanying this Notice of Meeting.”*

#### NOTES:

- The rights attaching to the Convertible Notes are as previously published and available on the Company’s website <http://www.armouenergy.com.au/investors/terms-of-convertible-notes>
- The funds raised by the issue will be used by the Company to:
  - progress the Company’s ongoing business plans associated with its Kincora Oil and Gas Project;
  - pay other corporate and offer costs and to provide additional working capital.

#### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- the recipients of the Convertible Notes; and
- any associate of those recipients.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

See Explanatory Memorandum for further information.

## Resolution 2. Pre-approval or Ratification of the Issue of up to 216,155,953 Convertible Notes

To consider and, if thought fit, pass the following Ordinary Resolution with or without modification:

*“That in the event, but in each case subject to the granting of any approvals required for the issue of more than 318,181,818 Convertible Notes in total (the **Notes**):*

- a) *the issue of up to 216,155,953 Notes at an issue price of \$0.11 per Note has not taken place prior to the meeting, then for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for up to 216,155,953 Notes to be issued, and*
- b) *to the extent that up to 216,155,953 Notes at an issue price of \$0.11 per Note have been issued between the date of this Notice of Meeting and the date of the Meeting, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue.”*

**NOTES:**

- The rights attaching to the Convertible Notes are as previously published and available on the Company's website <http://www.armourenergy.com.au/investors/terms-of-convertible-notes>
- The funds raised by the issue will be used by the Company to:
  - progress the Company's ongoing business plans associated with its Kincora Oil and Gas Project;
  - pay other corporate and offer costs and to provide additional working capital.

**VOTING EXCLUSION STATEMENT**

The Company will disregard any votes cast on this Resolution by:

- Any person who may participate in or directly benefit from the proposed issue; and
- any associate of those persons.

However, the Company need not disregard a vote if:

- it is cast by an excluded person as proxy for a person who is entitled to vote in, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**See Explanatory Memorandum for further information.**

### **Resolution 3. Approval for the Issue of Convertible Notes to Stephen Bizzell**

To consider and, if thought fit, pass the following Ordinary Resolution with or without modification:

*"That in accordance with the provisions of Listing Rule 10.11, and for all other purposes, shareholders approve the issue of up to 4,545,454 Convertible Notes in the Company at an issue price of \$0.11 per note to Stephen Bizzell (or his nominee), a Director of Armour Energy Limited, on the terms and conditions contained in the Explanatory Memorandum accompanying this Notice of Meeting."*

**NOTES:**

- The rights attaching to the Convertible Notes are as previously published and available on the Company's website <http://www.armourenergy.com.au/investors/terms-of-convertible-notes>
- The funds raised by the issue will be used by the Company to:
  - progress the Company's ongoing business plans associated with its Kincora Oil and Gas Project;
  - pay other corporate and offer costs and to provide additional working capital.

**VOTING EXCLUSION STATEMENT**

The Company will disregard any votes cast on this Resolution by:

- Stephen Bizzell; and
- any associate of Stephen Bizzell.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**See Explanatory Memorandum for further information.**

## Resolution 4. Approval for the Issue of Convertible Notes to Nicholas Mather

To consider and, if thought fit, pass the following Ordinary Resolution with or without modification:

*“That in accordance with the provisions of Listing Rule 10.11, and for all other purposes, shareholders approve the issue of up to 4,545,454 Convertible Notes in the Company at an issue price of \$0.11 per note to Nicholas Mather (or his nominee), a Director of Armour Energy Limited, on the terms and conditions contained in the Explanatory Memorandum accompanying this Notice of Meeting.”*

### NOTES:

- The rights attaching to the Convertible Notes are as previously published and available on the Company’s website <http://www.armourenergy.com.au/investors/terms-of-convertible-notes>
- The funds raised by the issue will be used by the Company to:
  - progress the Company’s ongoing business plans associated with its Kincora Oil and Gas Project;
  - pay other corporate and offer costs and to provide additional working capital.
- Further details of the Convertible Notes are contained within the Explanatory Memorandum.

### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- Nicholas Mather; and
- any associate of Nicholas Mather.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**See Explanatory Memorandum for further information.**

## Resolution 5. Approval to Grant Options to Matthew Beach

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That in accordance with the provisions of Listing Rule 10.11, and for all other purposes, the Company be authorised to issue 750,000 options to subscribe for Shares to Matthew Beach (or nominee), subject to being appointed to the Board of the Company in the coming month, and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- Matthew Beach; and
- any associate of Matthew Beach.

However, the Company need not disregard a vote if:

- it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**See Explanatory Memorandum for further information.**

## Resolution 6. Ratification of the Issue of 13,157,895 Placement Shares

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That for the purposes of Listing Rule 7.4, and all other purposes, shareholders ratify the issue of 13,157,895 fully-paid ordinary shares at an issue price of 7.6 cents per shares (**Placement Shares**) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

### NOTES:

- The rights attaching to the Placement Shares are identical in all aspects to the existing ordinary shares on issue in the Company.
- The funds raised by the issue will be used by the Company to:
  - progress the Company’s ongoing business plans associated with its Kincora Oil and Gas Project;
  - pay other corporate and offer costs and to provide additional working capital.

Further details of the Placement Shares are contained within the Explanatory Memorandum.

### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- any person who may participate in or directly benefit from the proposed issue; and
- any associate of those persons.

However, the Company need not disregard a vote if:

- it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**See Explanatory Memorandum for further information.**

## Resolution 7. Approval to Issue up to 10,382,773 Convertible Notes to DGR Global Limited

To consider and, if thought fit, pass the following Ordinary Resolution with or without modification:

*“That in accordance with the provisions of Listing Rule 10.11, and for all other purposes, shareholders approve the issue of up to 10,382,773 Convertible Notes in the Company at an issue price of \$0.11 per note to DGR Global Limited, a related party of Armour Energy Limited on the terms and conditions contained in the Explanatory Memorandum accompanying this Notice of Meeting.”*

### NOTES:

- The rights attaching to the Convertible Notes are as previously published and available on the Company’s website <http://www.armourenergy.com.au/investors/terms-of-convertible-notes> .
- The funds raised by the issue will be used by the Company to:
  - progress the Company’s ongoing business plans associated with its Kincora Oil and Gas Project;
  - pay other corporate and offer costs and to provide additional working capital.

Further details of the Convertible Notes are contained within the Explanatory Memorandum.

### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- DGR Global Limited; and
- any associate of DGR Global Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**See Explanatory Memorandum for further information.**

## **Resolution 8. Approval to Grant Options to MH Carnegie & Co Pty Ltd**

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That in accordance with the provisions of Listing Rule 7.1, and for all other purposes, the Company be authorised to issue 2,000,000 options to subscribe for Shares to MH Carnegie & Co Pty Ltd for the purposes and on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

### **VOTING EXCLUSION STATEMENT**

The Company will disregard any votes cast on this Resolution by:

- MH Carnegie & Co Pty Ltd; and
- any associate of MH Carnegie & Co Pty Ltd.

However, the Company need not disregard a vote if:

- it is cast by an excluded person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**See Explanatory Memorandum for further information.**

## **GENERAL BUSINESS**

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By Order of the Board



Karl Schlobohm  
Company Secretary  
28 April 2017

## Explanatory Memorandum

This Explanatory Memorandum is provided to shareholders of Armour Energy Limited ACN 141 198 414 (**Company**) to explain the Resolutions to be put to Shareholders at the Extraordinary General Meeting to be held at HoppgoodGanim, Level 7, Waterfront Place 1 Eagle Street, Brisbane Qld 4000 on 31 May 2017 at 11:00am (Brisbane time).

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions to be put to the Meeting as contained in the Notice of Meeting material. The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum are defined in the “Interpretation” section of the Explanatory Memorandum.

## ORDINARY BUSINESS

### Resolution 1. Ratification of Previously Issued 37,340,912 Convertible Notes

Resolution 1 seeks Shareholder approval to ratify the previous issue of 37,340,912 Convertible Notes to those investors identified in the table below, each being an investor that falls within one or more of the classes of exemptions specified in section 708 of the Corporation Act.

At the Company’s last AGM on 14 December 2016, the Company’s shareholders approved the issue of up to 214,545,455 Convertible Notes to parties (including to funds managed or parties nominated by MH Carnegie & Co) unrelated to the Company. Pursuant to the ASX Listing Rules, that approval granted on 14 December 2016 expired on 14 March 2017, during which time the Company issued a total of 136,120,363 Convertible Notes, including 37,029,455 to parties unrelated to the Company.

Under Resolution 1, the Company is seeking ratification for certain Convertible Notes issued subsequent to 14 March 2017, as outlined in the table below.

#### Listing Rule 7.4

As noted above, in accordance with Listing Rule 7.4, the Company is seeking Shareholders to ratify the previous issue of Convertible Notes, being issues of securities made by the Company during the previous 12 months for which Shareholder approval has not already been obtained.

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

The Company seeks Shareholder approval to ratify the issue of 37,340,912 Convertible Notes in accordance with Listing Rule 7.4 in order to refresh the Company’s ability to issue up to 15% of its share capital (in a 12 month period) under Listing Rule 7.1.

Under Listing Rule 7.4, an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval if the issue:

- did not breach Listing Rule 7.1 (i.e. the issue did not exceed the 15% limit under Listing Rule 7.1); and
- holders of the ordinary securities subsequently approve the issue.

For the purpose of Listing Rules 7.4 and 7.5 the Company advises as follows:

- a) 12,931,820 Convertible Notes were issued on 28 March 2017 and 24,409,092 Convertible Notes were issued on 5 April 2017;
- b) The Convertible Notes were issued at \$0.11 per note;
- c) The terms and conditions upon which the Convertible Notes are to be issued are as previously published and as set out in full on the Company's website at <http://www.armouenergy.com.au/investors/terms-of-convertible-notes>
- d) The Convertible Notes Recipients, and the number of Convertible Notes issued to each, are as follows:

	Subscriber	Price	Number	Amount
1	Cressey Pty Ltd ATF Cressey Superannuation Fund	\$0.11	940,909	\$103,500.00
2	Rookharp Investments Pty Ltd	\$0.11	4,545,455	\$500,000.05
3	Caling Property Investments No9 Pty Ltd	\$0.11	454,546	\$50,000.06
4	Mr TC Goodwin and Mrs SM Goodwin	\$0.11	227,273	\$25,000.03
5	Frank Crawley Enterprises Pty Ltd	\$0.11	227,273	\$25,000.03
6	Choice Investments Dubbo Pty Ltd	\$0.11	1,818,182	\$200,000.10
7	Newport Resources Pty Ltd <McManus Bus. A/C>	\$0.11	90,909	\$9,999.99
8	B & R Dunn <Ben Dunn Super Fund A/C>	\$0.11	227,273	\$25,000.03
9	Macquarie River Holdings Pty Ltd	\$0.11	395,454	\$43,499.94
10	B & A Bartels <The B&A Bartels Super Fund A/C>	\$0.11	227,273	\$25,000.03
11	Row Boat Pty Ltd <Rowthorne Super Fund A/C>	\$0.11	227,273	\$25,000.03
12	Pineapple Projects Pty Ltd <AJC Super Fund A/C>	\$0.11	227,273	\$25,000.03
13	Finn Air Holdings Pty Ltd	\$0.11	909,091	\$100,000.05
14	Ms Maleea Finnemore	\$0.11	45,454	\$5,000.00
15	Ms Martika Finnemore	\$0.11	45,454	\$5,000.00
16	Mr Chad Stephen Finnemore	\$0.11	45,454	\$5,000.00
17	PA & CA Purdie <Purdie Super Fund A/C>	\$0.11	909,091	\$100,000.01
18	JLGI SMSF Pty Ltd <JLGI Super Fund A/C>	\$0.11	454,546	\$50,000.06
19	Gibson Constructions Pty Ltd	\$0.11	340,909	\$37,499.99
20	Donna Leanne Langley	\$0.11	27,273	\$3,000.03
21	Mr Brent Mulligan	\$0.11	454,546	\$50,000.06
22	WG & WK Runge <The Greg Runge Trust A/C>	\$0.11	2,000,000	\$220,000.00
23	Pineapple Projects Pty Ltd <AJC Super Fund A/C>	\$0.11	227,273	\$25,000.03
24	G Harvey Investments Pty Ltd	\$0.11	9,090,909	\$999,999.99
25	Lujeta Pty Ltd <Margaret A/C>	\$0.11	4,545,455	\$500,000.05
26	Limits Pty Ltd <Duncan Gamble Family A/C>	\$0.11	909,100	\$100,000.10
27	Kabila Investments Pty Ltd	\$0.11	454,550	\$50,000.50
28	Sixth Erra Pty Ltd <Staff Super Fund A/C>	\$0.11	454,550	\$50,000.50
29	Mr Paul Richard Fielding	\$0.11	181,820	\$20,000.20
30	Scottow Pty Ltd <Scottow Super Fund A/C>	\$0.11	181,820	\$20,000.20
31	D & T Widdicombe <David Widdicombe Family A/C>	\$0.11	90,910	\$10,000.10
32	Babade Pty Ltd <P&L Chrimes Super Fund A/C>	\$0.11	90,910	\$10,000.10
33	H & P Dalton <Dalton Family A/C>	\$0.11	909,091	\$100,000.10
34	Plutus Capital Pty Ltd <Harrison Family A/C>	\$0.11	272,727	\$30,000.00
35	Mr Thomas James Russell	\$0.11	90,909	\$9,999.99



36	Tim Don Nominees Pty Ltd <Tim Don Super A/C>	\$0.11	545,455	\$60,000.05
37	CPS Group Investments Pty Ltd <Powerlan Inv A/C>	\$0.11	1,818,185	\$200,000.35
38	G & L Smith <Smith Super Fund A/C>	\$0.11	136,364	\$15,000.04
39	SK Advisory Pty Ltd <SK Super Fund A/C>	\$0.11	681,820	\$75,000.20
40	Angora Lane Pty Ltd <Angora Lane Super Fund A/C>	\$0.11	363,608	\$39,996.88
41	Mungala Investments Pty Ltd	\$0.11	909,090	\$99,999.90
42	ME & LH Hayden <Hayden Super Fund A/C>	\$0.11	454,545	\$49,999.95
43	DMH Enterprises Pty Ltd <DMH Super Fund A/C>	\$0.11	90,910	\$10,000.10
	<b>TOTALS</b>		<b>37,340,912</b>	<b>\$4,107,500.33</b>

- e) The funds raised will be used to finance the re-start of oil and gas production from the Kincora Project, for additional growth initiatives, general working capital and costs of the issue.

A Voting Exclusion Statement in relation to this Resolution is set out in the Notice of Meeting.

#### **Dilutionary Effect**

The dilutionary effect of the issue of the securities to be approved pursuant to this Resolution is shown in Table 1 on Page 21 of this Explanatory Memorandum.

#### **Directors Recommendation**

The Directors recommend that shareholders vote in favour of this resolution.

## **Resolution 2. Pre-approval or Ratification of the Issue of up to 216,155,953 Convertible Notes**

As announced by the Company on 26 April 2017, the capital to be raised by the Company via the issue of Convertible Notes is to be increased from the \$35 million (318,181,818 notes) approved at the 14 December 2016 AGM, to a revised total of \$45 million, equating to a total of 409,090,909 notes subject to the granting of Shareholder approval and where required, any other necessary approvals and documentation being agreed with third parties. A total of 136,120,363 notes were issued under the approval obtained at the AGM. A further 37,340,912 notes that have been issued to date are to be ratified by Resolution 1 of this meeting. 19,473,681 further notes are the subject of separate approvals at this meeting. This leaves a net amount of 216,155,953 notes to be approved by shareholders pursuant to this resolution. If approved, the Convertible Notes will be issued at a price of 11 cents (\$0.11) per note.

As noted above, the issue of Notes by the Company in excess of 318,181,818 Convertible Notes, may also require the approval of parties other than Shareholders. In particular the consent of existing holders of Convertible Notes (**Note Holders**) will be required, as well as the approval and agreement of the Company's two secured creditors, DGR Global Limited (**DGR**) and the trustee under the Convertible Redeemable Notes Trust Deed (the **Trust Deed**), Perpetual Corporate Trustee Limited (the **Trustee**), pursuant to which the Notes have been and are to be issued.

Under the terms and conditions upon which the Convertible Notes are issued or to be issued (as have previously been published and approved by the Company's shareholders for earlier issues, and as outlined on the Company's website at <http://www.armourenergy.com.au/investors/terms-of-convertible-notes>), the Company may only issue up to 318,181,818 Convertible Notes.

If the Company now wishes to issue more than 318,181,818 Convertible Notes in total, then the Company will need to have the approval of Note Holders to issue the number of Notes in excess of 318,181,818 (the **Excess Notes**).

That consent must be given either:

- a) by Note Holders holding 75% of the votes cast at a duly convened meeting of note holders (excluding votes cast by the Company's Related Bodies Corporate and their associates); or
- b) by postal ballot passed by or a written resolution of Note Holders holding 75% of the principal amount of the outstanding Notes (excluding votes cast by the Company's Related Bodies Corporate and their associates).

If that consent is given by Note Holders, then the terms of the Trust Deed between the Company and the Trustee will be amended accordingly, subject to the granting of consent by DGR as is explained immediately below.

As announced to shareholders previously (and most recently on 28 September 2016 with respect to its further extension) DGR has provided the Company with bridging financing. As also announced on 16 December 2016 and 21 November 2016, DGR's debt is secured over the same assets of the Company as is the debt owing to Note Holders. The Trustee, DGR, the Company and others have entered into a Priority Deed which sets out the terms pursuant to which DGR and the Trustee will each have access to those assets in the event of a default (**Priority Deed**).

Under the terms of the Priority Deed the Trustee will need to seek the consent of DGR for the Company to issue the Excess Notes. Each of DGR and the Trustee is prohibited from amending or modifying the terms of its respective financing to the Company without the prior written consent of the other, where the amendment would result in an increase in the first party's share of any money to be recovered.

In addition consent will also be required for the issue of the Excess Notes from DGR under the terms of its facility agreement and related transaction documents.

#### **Listing Rule 7.3 and 7.4**

As noted previously Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

The Company is currently finalising the identities of investors for the further issue of 216,155,953 Convertible Notes and they will include funds managed or parties nominated by MH Carnegie & Co. This issue may either:

- a) be approved by Shareholders for the purposes of Listing Rule 7.1 in accordance with Listing Rule 7.3, or
- b) be subsequently ratified by Shareholders for the purposes of Listing Rule 7.1 in accordance with Listing Rule 7.4.

The Company seeks Shareholder approval to issue and / or the ratification of the issue of 216,155,953 Convertible Notes as appropriate in order to refresh the Company's ability to issue up to 15% of its share capital (in a 12 month period) under Listing Rule 7.1.

#### **Listing Rule 7.3 Information**

Where the issue of up to 216,155,953 Notes has not taken place prior to the meeting, then for the purposes of Listing Rule 7.3, the Company provides the following information.

- (a) The Company may issue up to 216,155,953 Convertible Notes to raise up to \$23.7 million.
- (b) While the identities of specific investors are yet to be identified they will include funds managed or parties nominated by MH Carnegie & Co, and other parties that qualify as sophisticated investors (in accordance with sections 708 (8) and (10) of the Corporations Act), professional investors (in accordance with section 708(11) of the Corporations Act), and other institutional and accredited investors to whom no disclosure is required under the Corporations Act. No Convertible Notes will be issued to related parties under this resolution.

- (c) If approved the Convertible Notes will be issued at \$0.11 per note, and the terms and conditions associated with the Convertible Notes are as previously published and as set out in full on the Company's website at <http://www.armouenergy.com.au/investors/terms-of-convertible-notes>
- (d) If approved, Convertible Notes will be issued on or before 3 months after the date of this meeting as required by the Listing Rules.
- (e) Funds from the Convertible Note issue will be primarily used for the restart activities at the Company's Kincora Project as previously described in various market releases, and for additional growth initiatives. There may also be an element of corporate costs, creditor payments and a provision for working capital.
- (f) Voting exclusions are as outlined in the Notice of Meeting.

#### **Listing Rule 7.4**

Where the issue of up to 216,155,953 Notes has taken place prior to the meeting, then in accordance with Listing Rule 7.4 and 7.5, the Company advises as follows:

- (a) the Convertible Notes were issued between on 26 April 2017 and 30 May 2017;
- (b) The Convertible Notes were issued at \$0.11 per note;
- (c) The terms and conditions upon which the Convertible Notes were issued are set out in full on the Company's website at <http://www.armouenergy.com.au/investors/terms-of-convertible-notes>
- (d) The investors qualified as sophisticated investors (in accordance with sections 708 (8) and (10) of the Corporations Act), professional investors (in accordance with section 708(11) of the Corporations Act), and other institutional and accredited investors to whom no disclosure is required under the Corporations Act. No Notes will be issued to related parties under this resolution.
- (e) The funds raised will be used to finance the re-start of oil and gas production from the Kincora Project, for additional growth initiatives, general working capital and costs of the issue.
- (f) A Voting Exclusion Statement in relation to this Resolution is set out in the Notice of Meeting.

#### **Dilutionary Effect**

The dilutionary effect of the issue of the securities to be approved pursuant to this Resolution is shown in Table 1 on Page 20 of this Explanatory Memorandum.

#### **Directors' Recommendation**

The Board recommends Shareholders vote in favour of this Resolution.

### **Resolution 3. Approval for the Issue of Convertible Notes to Stephen Bizzell**

Resolution 3 seeks the approval of shareholders for the issue of up to 4,545,454 Convertible Notes to Stephen Bizzell (or his nominee). Stephen Bizzell is a Director of Armour Energy Limited. The Convertible Notes will have an issue price of \$0.11 per note and will be issued on the terms and conditions outlined in Schedule 1 to this Explanatory Memorandum.

The approval for Stephen Bizzell (or his nominee) to subscribe for up to 4,545,454 Convertible Notes equates to a \$500,000 investment to be made into Armour Energy on the basis of the issue price of \$0.11 per note.

Funds from the Convertible Note issue will be primarily used for the restart activities at the Company's Kincora Project as previously described in various market releases, and for additional growth initiatives. There may also be an element of corporate costs, creditor payments and a provision for working capital.

### **Listing Rule 10.11**

Listing Rule 10.11 requires shareholder approval for a company to issue equity securities to a related party. Equity securities are defined to include convertible securities.

A “related party” for the purposes of the Listing Rules is defined widely and includes a Director of the public company or an entity controlled by a Director of the public company. Approval for the issue of Convertible Notes to Stephen Bizzell (or his nominee) is sought in accordance with the provisions of Listing Rule 10.11. If approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. If approval is given, the Company intends to allot the Convertible Notes within one (1) month.

The Company believes that all information required pursuant to Listing Rule 10.13 is contained in the Notice of Meeting and this Explanatory Memorandum.

### **Terms of the Convertible Notes**

The terms and conditions associated with the Convertible Notes are identical to those issued and to be issued to third parties, are as previously published, and as set out in full on the Company’s website at <http://www.armouenergy.com.au/investors/terms-of-convertible-notes>.

As the proposed terms of issue are to be no more favourable than terms to be made available to third parties or existing shareholders, it is considered that the allotment would be conducted on arm’s length terms and as such, Armour can rely on an exception to section 208 of the Corporations Act in relation to Resolution 3. As such, the consent of ASIC has not been sought in relation to Resolution 3, but shareholder approval will be sought under LR 10.11.

### **Dilutionary Effect**

The dilutionary effect of the issue of the securities to be approved pursuant to this Resolution is shown in Table 1 on Page 20 of this Explanatory Memorandum.

### **Directors’ Recommendation**

Messrs Mather, Sleeman and Stubbs recommend that shareholders vote in favour of this resolution. Mr Bizzell has abstained from making a recommendation.

## **Resolution 4. Approval for the Issue of Convertible Notes to Nicholas Mather**

Resolution 4 seeks the approval of shareholders for the issue of up to 4,545,455 Convertible Notes to Nicholas Mather (or his nominee). Nicholas Mather is a Director of Armour Energy Limited. The Convertible Notes will have an issue price of \$0.11 per note and will be issued on the terms and conditions outlined in Schedule 1 to this Explanatory Memorandum.

The approval for Nicholas Mather (or his nominee) to subscribe for up to 4,545,455 Convertible Notes equates to a \$500,000 investment to be made into Armour Energy on the basis of the issue price of \$0.11 per note. Funds from the Convertible Note issue will be primarily used for the restart activities at the Company’s Kincora Project as previously described in various market releases, and for additional growth initiatives. There may also be an element of corporate costs, creditor payments and a provision for working capital.

### **Listing Rule 10.11**

Listing Rule 10.11 requires shareholder approval for a company to issue equity securities to a related party. Equity securities are defined to include convertible securities. A “related party” for the purposes of the Listing Rules is defined widely and includes a Director of the public company or an entity controlled by a Director of the public company.

Approval for the issue of Convertible Notes to Nicholas Mather (or his nominee) is sought in accordance with the provisions of Listing Rule 10.11. If approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. If approval is given, the Company intends to allot the Convertible Notes within one (1) month.

The Company believes that all information required pursuant to Listing Rule 10.13 is contained in the Notice of Meeting and this Explanatory Memorandum.

### **Terms of the Convertible Notes**

The terms and conditions associated with the Convertible Notes are identical to those issued and to be issued to third parties, are as previously published, and as set out in full on the Company's website at <http://www.armouenergy.com.au/investors/terms-of-convertible-notes>.

As the proposed terms of issue are to be no more favourable than terms to be made available to third parties or existing shareholders, it is considered that the allotment would be conducted on arm's length terms and as such, Armour can rely on an exception to section 208 of the Corporations Act in relation to Resolution 4. As such, the consent of ASIC has not been sought in relation to Resolution 4, but shareholder approval will be sought under LR 10.11.

### **Dilutionary Effect**

The dilutionary effect of the issue of the securities to be approved pursuant to this Resolution is shown in Table 1 on Page 20 of this Explanatory Memorandum.

### **Directors' Recommendation**

Messrs Bizzell, Sleeman and Stubbs recommend that shareholders vote in favour of this resolution. Mr Mather has abstained from making a recommendation.

## **Resolution 5. Approval to Grant Options to Matthew Beach (Incoming Director).**

### **Introduction**

At the Company's AGM on 14 December 2016, the Company's shareholders approved the grant of up to 750,000 Options to Matthew Beach, an incoming director to be appointed (or his nominee), at the following prices and expiry dates:

- 250,000 unlisted options exercisable at \$0.22, expiring 14 December 2019
- 250,000 unlisted options exercisable at \$0.27, expiring 14 December 2019
- 250,000 unlisted options exercisable at \$0.32, expiring 14 December 2019.

This approval was given by shareholders for the purposes of Listing Rule 10.11 and Part 2E of the Corporations Act (the **Shareholder Approval**) at the Company's AGM on 14 December 2016. However, the Options have yet been granted to Mr Beach as at the date of this Notice of Meeting.

Pursuant to the Listing Rule 10.11 where shareholders approve the issue of securities to a related party, those securities must be issued within 1 month. Accordingly, under Resolution 5, the Company is seeking to effectively refresh the approval to issue the Options to Mr Beach for the purposes of Listing Rule 10.11. However, pursuant to section 208 of the Corporations Act, where shareholders approve the granting of a benefit to a related party for the purposes of Part 2E of the Corporations Act, that benefit must be given with 15 months.

Accordingly the Company believes that as at the proposed date of the Meeting, it will still be able to grant those Options to Mr Beach in reliance on the Shareholder Approval, without the need to seek further Shareholder approval for the purposes of Part 2E of the Corporations Act.

Accordingly the Directors have resolved to refer to members for approval again (pursuant to Listing Rule 10.11 only), the proposed grant of 750,000 Options to Matthew Beach, an incoming director to be appointed (or his nominee), at the following prices and expiry dates:

- 250,000 unlisted options exercisable at \$0.22, expiring 14 December 2019
- 250,000 unlisted options exercisable at \$0.27, expiring 14 December 2019
- 250,000 unlisted options exercisable at \$0.32, expiring 14 December 2019

The Options will vest immediately on the date of issue. The terms of the Options are set out in more detail below. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

### **Listing Rule 10.11**

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Mr Beach will become a related party of the Company following his appointment as a Director. Accordingly, because the issue of the Director Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Options to be issued to Mr Beach is 750,000 Options, being:
  - 250,000 unlisted Options exercisable at \$0.22, expiring 14 December 2019
  - 250,000 unlisted Options exercisable at \$0.27, expiring 14 December 2019
  - 250,000 unlisted Options exercisable at \$0.32, expiring 14 December 2019
- The Options are intended to be granted as soon as possible following the meeting, but in any event, within one (1) month of the date of the Meeting.
- The Options are being issued for nil consideration.
- No funds are being raised by the grant of the Options, but up to \$202,500 would be raised in the future via their exercise. The money raised would (dependent on the timing) be used for:
  - restart, exploration and project development activities at the Company's Kincora project;
  - progress of the identification and initial exploration of new projects;
  - for additional growth initiatives; and
  - payment of other corporate costs and to provide additional working capital.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1. Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions 5.

### **Options Terms**

A summary of the material terms of the Options is set out below:

- The securities to be issued to Mr Beach are options to subscribe for fully paid Shares.
- The Options are to be issued for no consideration.
- The exercise prices for each Option issued to Matthew Beach (incoming Director to be appointed) are as follows:
  - 250,000 unlisted options exercisable at \$0.22, expiring 14 December 2019
  - 250,000 unlisted options exercisable at \$0.27, expiring 14 December 2019
  - 250,000 unlisted options exercisable at \$0.32, expiring 14 December 2019

- The Options will vest on the date of issue.
- The Options will expire on 14 December 2019.
- Shares issued on exercise of the Options will rank equally with all existing Shares on issue.
- The Options, once vested, may be exercised wholly or in part by notice in writing to the Company received at any time on or before the Expiry Date together with a cheque for the Exercise Price of the Option multiplied by the number of Shares in respect of which Options are being exercised.
- The Options shall be unlisted but shall be transferable.
- Upon allotment of Shares pursuant to the exercise of Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
- Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
- Option holders do not participate in dividends or in bonus issues unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - the number of Options, the exercise price, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Option holder which are not conferred on Shareholders; and
  - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Options had been exercised before the record date for the bonus issue.
- If, during the life of any Option, there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

where:

$O^1$  = the new exercise price of the Option

$O$  = the old exercise price of the Option

$E$  = the number of underlying securities into which one Option is exercisable

$P$  = the average market price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex right date or the ex entitlements date

$S$  = the subscription price for a security under the pro-rata issue

$D$  = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue)

$N$  = the number of securities with rights or entitlements that must be held to receive a right to one new security

- The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.



### **Dilutionary Effect**

The dilutionary effect of the issue of the securities to be approved pursuant to this Resolution is shown in Table 1 on Page 20 of this Explanatory Memorandum.

### **Directors' Recommendation**

With respect to Resolution 5, Messrs Mather, Bizzell, Sleeman and Stubbs recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (i) the grant of the Options as proposed to be allotted to Mr Beach (once appointed) will provide him with reward and incentive for future services he will provide to the Company to further the progress the Company;
- (ii) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (iii) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, Mr Mather, Mr Bizzell, Mr Sleeman and Mr Stubbs considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party.

### Voting Restrictions

There are restrictions on voting on Resolutions 5 by Matthew Beach and his associates. For additional details please refer to the Voting Exclusion Statement in relation to Resolution 5 of the Notice of Meeting. Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the Resolutions the subject of this Meeting, including Resolution 5, subject to compliance with the Corporations Act.

## **Resolution 6     Ratification of the Issue of 13,157,895 Placement Shares**

As announced by Armour on 26 April 2017, an allotment of 13,157,895 fully paid ordinary shares was undertaken as part of the Company's overall capital raising initiatives. These shares were allotted to third parties at a price of \$0.076 per share raising \$1m (**Placement Shares**).

### **Listing Rule 7.4**

As noted above, in accordance with Listing Rule 7.4, the Company is seeking Shareholders to ratify the previous issue of Placement Shares, being issues of securities made by the Company during the previous 12 months for which Shareholder approval has not already been obtained.

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Listing Rule 7.1A provides the ability for a company to place up to an additional 10% of its share capital without shareholder approval where, at an AGM convened within the previous 12 months, approval for such capacity was granted by shareholders pursuant to a special resolution.

The Company seeks Shareholder approval to ratify the issue of 13,157,895 Placement Shares accordance with Listing Rule 7.4 in order to refresh the Company's ability to issue up to 15% of its share capital (in a 12 month period) under Listing Rule 7.1 and up to an additional 10% of its share capital pursuant to Listing Rule 7.1A. Of the 13,157,895 Placement Securities issued, 11,087,890 were issued pursuant to Listing Rule 7.1 and 2,070,005 were issued pursuant to Listing Rule 7.1A.



Under Listing Rule 7.4, an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval if the issue:

- did not breach Listing Rule 7.1 (i.e. the issue did not exceed the 15% limit under Listing Rule 7.1); and
- holders of the ordinary securities subsequently approve the issue.

Listing Rule 7.4 provides that a Company may reinstate its additional placement capacity under Listing Rule 7.1A where any shares issued during the relevant period are subsequently ratified by the Company's shareholders.

### Terms of the Placement Share issue

For the purpose of Listing Rules 7.4 and 7.5 the Company advises as follows:

- (1) 13,157,895 Placement Shares were issued on 26 April 2017 (11,087,890 pursuant to Listing Rule 7.1 and 2,070,005 pursuant to Listing Rule 7.1A).
- (2) The Placement Shares were issued to the Placement Recipients at a price of \$0.076 per Share.
- (3) The Placement Shares rank pari passu with the existing Shares on issue, are not subject to escrow restrictions and are subject to the rights and obligations set out in the Company's Constitution.
- (4) The Placement Recipients, and the number of Placement Shares issued to each, are as follows:

	Subscriber	Price	Number	Amount
1	Choice Investments Pty Ltd	\$0.076	1,315,790	\$100,000
2	DGCS Pty Ltd <G&C Bodyworks S/F A/C>	\$0.076	394,737	\$30,000
3	Canceler Pty Ltd <Clarence Super Fund A/C>	\$0.076	50,842	\$3,846
4	Caling Property Investments Pty Ltd	\$0.076	657,895	\$50,000
5	Renee Dunn	\$0.076	657,895	\$50,000
6	BC & A Bartels <BC & A Bartels SF A/C>	\$0.076	219,298	\$16,667
7	Donald George Rees	\$0.076	287,281	\$21,833
8	Edlewis Pty Ltd <Jamesly A/C>	\$0.076	131,579	\$10,000
9	Finn Air Holdings Pty Ltd	\$0.076	2,412,281	\$183,333
10	Malea Finnemore	\$0.076	131,579	\$10,000
11	Martika Finnemore	\$0.076	131,579	\$10,000
12	Chad Finnemore	\$0.076	131,579	\$10,000
13	PA & CA Purdie <Purdie Super Fund A/C>	\$0.076	252,193	\$19,167
14	JLGI SMSF Pty Ltd <JLGI Superannuation Fund A/C>	\$0.076	552,128	\$41,962
15	Gibson Constructions Pty Ltd	\$0.076	877,193	\$66,667
16	Melbourne Capital Ltd	\$0.076	3,000,000	\$228,000
17	Simon Gilbert Lowsley Peake	\$0.076	300,000	\$22,800
18	Sage Capital Group Pty Ltd	\$0.076	1,000,000	\$76,000
19	Tim Don Nominees Pty Ltd <Tim Don Super Fund>	\$0.076	528,947	\$40,200
20	Macquarie River Holdings Pty Ltd	\$0.076	125,099	\$9,508
	<b>TOTAL</b>		<b>13,157,895</b>	<b>\$1,000,000</b>

- (5) The funds raised will be used to finance the re-start of oil and gas production from the Kincora Project, for additional growth initiatives, general working capital and costs of the issue.

A Voting Exclusion Statement in relation to this Resolution is set out in the Notice of Meeting.

### **Dilutionary Effect**

The dilutionary effect of the issue of the securities to be approved pursuant to this Resolution is shown in Table 1 on Page 21 of this Explanatory Memorandum.

### **Directors Recommendation**

The Directors recommend that shareholders vote in favour of this resolution.

## **Resolution 7 Approval to Issue up to 10,382,773 Convertible Notes to DGR Global Limited**

Resolution 7 seeks the approval of shareholders for the issue of up to 10,382,773 Convertible Notes to DGR Global Limited (**DGR Global**). Under the ASX Listing Rules, DGR Global is considered to be a related party of Armour Energy Limited as it currently holds 23.25% of the ordinary fully-paid shares of Armour Energy and has two (2) nominee Directors on the Board, being Messrs Mather and Stubbs.

Under its Debt Finance Facility first established with the Company in late 2015, DGR Global is currently owed \$5,092,738. After providing for a cash repayment of \$3 million and the offset of its commitment due under Armour Energy's forthcoming 1:6 entitlement offer, DGR Global will have a remaining loan balance of \$1,142,105. DGR Global wishes to apply this amount against its subscription for a further 10,382,773 Convertible Notes at \$0.11 each.

The terms and conditions associated with the Convertible Notes are identical to those issued and to be issued to third parties, are as previously published, and as set out in full on the Company's website at <http://www.armourenergy.com.au/investors/terms-of-convertible-notes>.

As the proposed terms of issue are to be no more favourable than terms to be made available to third parties or existing shareholders, it is considered that the allotment would be conducted on arm's length terms and as such, Armour can rely on an exception to section 208 of the Corporations Act in relation to Resolution 7. As such, the consent of ASIC has not been sought in relation to Resolution 7, but shareholder approval will be sought under LR 10.11. If approval is given, the Company intends to allot the Convertible Notes within one (1) month.

The Company believes that all information required pursuant to Listing Rule 10.13 is contained in the Notice of Meeting and this Explanatory Memorandum.

### **Dilutionary Effect**

The dilutionary effect of the issue of the securities to be approved pursuant to this Resolution is shown in Table 1 on Page 20 of this Explanatory Memorandum.

### **Directors' Recommendation**

Messrs Bizzell and Sleeman recommend Shareholders vote in favour of this resolution. Messrs Mather and Stubbs are also Directors of DGR Global, and therefore make no recommendation.

## **Resolution 8 Approval to Grant Options to MH Carnegie & Co Pty Ltd**

Resolution 8 is seeking shareholder approval for the grant of 2,000,000 options to MH Carnegie & Co Pty Ltd (MH Carnegie) for the purposes and on the terms and conditions as outlined below.

The option issue to MH Carnegie is in lieu of any fees for their consent to be provided for the recently announced increase in the proposed issue of Convertible Notes, consent to be provided for amendments to their redemption rights, and in lieu of the requirement for Armour to issue options to a further MH Carnegie nominee to the Armour Board. The 2,000,000 options will be issued in three tranches as follows:

- 666,666 unlisted Options exercisable at \$0.22, expiring 29 May 2020
- 666,667 unlisted Options exercisable at \$0.27, expiring 29 May 2020
- 666,666 unlisted Options exercisable at \$0.32, expiring 29 May 2020

The other terms and conditions of the options will be the same as those outlined above (pages 13 and 14) for Resolution 5.

MH Carnegie is not a related party of the Company under the Corporations Act or pursuant to the ASX Listing Rules.

### **Listing Rule 7.3 Information**

In accordance with Listing Rule 7.3, the Company provides the following information.

- (a) The 2,000,000 options will be issued to MH Carnegie & Co Pty Ltd.
- (b) It is intended that the options will be issued no later than 3 months after the meeting, should the Resolution be approved by shareholders.
- (c) The 2,000,000 options will be issued in three tranches as follows:
  - 666,666 unlisted Options exercisable at \$0.22, expiring 29 May 2020
  - 666,667 unlisted Options exercisable at \$0.27, expiring 29 May 2020
  - 666,666 unlisted Options exercisable at \$0.32, expiring 29 May 2020
- (d) No funds will be raised from the allotment of the options. However, upon exercise of the options, up to \$540,000 would be raised. These funds would be used for the various activities associated with the Company's Kincora Project, and for other growth initiatives. There may also be an element of corporate costs, creditor payments and a provision for working capital.
- (e) Voting exclusions are as outlined in the Notice of Meeting.

### **Dilutionary Effect**

The dilutionary effect of the issue of the securities to be approved pursuant to this Resolution is shown in Table 1 on Page 20 of this Explanatory Memorandum.

### **Directors' Recommendation**

The Board recommends Shareholders vote in favour of this Resolution.

**Table 1 - Effect of the Various Resolutions on the Issued Capital of the Company**

	DGR Global	%	N Mather	%	S Bizzell	%	M Beach	%	Other Shareholders	%	Total	%
Conversion of Existing Convertible Notes	160,504,545	35%	7,672,285	2%	10,222,487	2%	-	0.0%	280,579,123	61%	<b>458,978,440</b>	<b>100%</b>
Conversion of Convertible Notes - <b>Resolution 1</b>	160,504,545	32%	7,672,285	2%	10,222,487	2%	-	0.0%	317,920,035	64%	<b>496,319,352</b>	<b>100%</b>
Conversion of Convertible Notes - <b>Resolution 2</b>	160,504,545	23%	7,672,285	1%	10,222,487	1%	-	0.0%	534,075,988	75%	<b>712,475,305</b>	<b>100%</b>
Conversion of Convertible Notes - <b>Resolution 3</b>	160,504,545	22%	7,672,285	1%	14,767,941	2%	-	0.0%	534,075,988	74%	<b>717,020,759</b>	<b>100%</b>
Conversion of Convertible Notes - <b>Resolution 4</b>	160,504,545	22%	12,217,739	2%	14,767,941	2%	-	0.0%	534,075,988	74%	<b>721,566,213</b>	<b>100%</b>
Exercise of Director Options - <b>Resolution 5</b>	160,504,545	22%	12,217,739	2%	14,767,941	2%	750,000	0.1%	534,075,988	74%	<b>722,316,213</b>	<b>100%</b>
Placement Shares - <b>Resolution 6</b>	160,504,545	22%	12,217,739	2%	14,767,941	2%	750,000	0.1%	547,233,883	74%	<b>735,474,108</b>	<b>100%</b>
Conversion of Convertible Notes - <b>Resolution 7</b>	170,887,328	23%	12,217,739	2%	14,767,941	2%	750,000	0.1%	547,233,883	73%	<b>745,856,891</b>	<b>100%</b>
Exercise of MHC Options - <b>Resolution 8</b>	170,887,328	23%	12,217,739	2%	14,767,941	2%	750,000	0.1%	549,233,883	73%	<b>747,856,891</b>	<b>100%</b>

**NOTES:**

1. The Convertible Notes convert to Ordinary Shares on a 1:1 basis.
2. Ignores the effect of the existing 19,500,000 options on issue with various exercise prices and expiry dates.

## Interpretation

**ASX** means the ASX Limited ACN 008 624 691;

**Board** means the board of directors of the Company;

**Closely Related Party** (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of this paragraph;

**Company** means Armour Energy Limited ACN 141 198 414;

**Convertible Notes** means debt securities issued, or to be issued, by the Company on the Terms and Conditions outlined on the Company's website at: <http://www.armourenergy.com.au/investors/terms-of-convertible-notes>;

**Corporations Act** means the Corporations Act 2001 (Cth) as amended, varied or replaced from time to time;

**Director** means a director of the Company;

**Explanatory Memorandum** means this explanatory memorandum accompanying the Notice of Meeting;

**Issue Price** the price per security the Placement Securities may be issued;

**Key Management Personnel** or **KMP** has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity.

**Meeting** or **Extraordinary General Meeting** means the extraordinary general meeting to be held on 30 May 2017;

**Notice of Meeting** means this Notice of Meeting convening the Meeting and the Explanatory Memorandum;

**Ordinary Resolution** means a Resolution passed by more than 50% of the votes cast at a general meeting of shareholders;

**Placees** means the parties to whom Placement Shares were issued;

**Placement Shares** means the new shares issued for the purposes of Listing Rules 7.1 and 7.1A;

**Resolution** means a resolution proposed at the Meeting;

**Share** means an ordinary fully paid share in the issued capital of the Company;

**Shareholder** means a holder of Shares in the Company; and

**Special Resolution** means a Resolution passed by more than 75% of the votes cast at a general meeting of shareholders;

**VWAP** means volume weighted average price.

## ENQUIRIES

Any enquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Karl Schlobohm (Company Secretary), at Level 27, 111 Eagle Street Brisbane QLD 4000, or on (07) 3303-0620.

## Notes

### ***Entitlement to Vote***

For the purposes of determining those shareholders entitled to attend and vote at the Annual General Meeting of the Company, shall be those persons recorded in the register of shareholders as at 11:00 am (AEST) 29 May 2017. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

### ***How to Vote***

You may vote by attending the Annual General Meeting in person, by proxy or authorised representative.

### ***Voting in Person***

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

### ***Voting by Proxy***

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to vote on their behalf. Where a shareholder is entitled to cast two or more votes, they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company. Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the Corporations Act 2001 (Cth).

If a representative of the Company is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

### ***Signing instructions***

You must sign the proxy form as follows in the spaces provided:

- Individual:** Where the holding is in one name, the holder must sign.
- Joint Holding:** Where the holding is in more than one name, either security holder may sign.
- Power of Attorney:** To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.

Please indicate the office held by signing in the appropriate place.

To vote by proxy, the proxy form provided with this notice (and the original or a certified copy of any power of attorney under which it is signed) must be received by the Company not less than forty eight (48) hours before the scheduled time for the meeting. Any proxy form received after that time will not be valid for the scheduled meeting.

**Completed proxies can be returned to the Company Secretary by either mail to GPO Box 5261, Brisbane, Qld 4001; or facsimile to (07) 3303-0681, or scanned and emailed to [kschlobohm@armouenergy.com.au](mailto:kschlobohm@armouenergy.com.au)**

**Proxy Form**

**STEP 1: APPOINTMENT OF PROXY**

*Insert Shareholder Details:*

I/We being Shareholder(s) of Armour Energy Limited (Company) hereby appoint as my proxy for the Annual General Meeting of the Company to be held at 11:00 am (Brisbane time) on 31 May 2017 and any adjournment thereof:

the Chairman of the Meeting  
**OR**  
 (mark with an "X")

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting

The Chairman intends to vote any undirected proxies in favour of each resolution. If you do not wish for this to be the case, please direct your votes for each resolution in Step 2 below.

If you have not appointed a proxy, and you have not directed your proxy how to vote, your votes will not be cast on any resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution. If the Chairman is appointed as your proxy, or may be appointed by default, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain, subject to compliance with the Corporations Act. By signing this appointment you acknowledge that the Proxy (whether voting in accordance with your directions or voting in their discretion under an undirected Proxy) may exercise your proxy even if he/s he has an interest in the outcome of the resolution and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest, subject to compliance with the Corporations Act. If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is .....%. (An additional proxy form will be supplied by the Company on request). If you wish to appoint the proxy to exercise voting power over only some of your Shares, the number of Shares in respect of which this proxy is to operate is ..... Shares (Note: proxy will be over all Shares if left blank).

**STEP 2: VOTING DIRECTIONS**

I/we direct my/our proxy to vote as indicated below:

**Resolutions**

1. Ratify the previous issues of Convertible Notes
2. Approval to Issue Convertible Notes
3. Approval to Issue Convertible Notes to Stephen Bizzell
4. Approval to Issue Convertible Notes to Nicholas Mather
5. Approval to Grant Options to Matthew Beach
6. Ratify the previous issue of Placement Shares
7. Approval to issue Convertible Notes to DGR Global
8. Approval to grant Options to MH Carnegie & Co

<b>For</b>	<b>Against</b>	<b>Abstain</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Sole Director and Secretary  
(if appointed)

Director

Director/Company  
Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

## How to Complete this Proxy Form

### 1 Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### 2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

### 3 Votes on Items of Business

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses, except in relation to Resolution 1 where you have appointed a member of the Key Management Personnel of the Company (other than the Chairman) or their closely related parties as your proxy, in which case there are additional restrictions explained below. If you mark more than one box on an item your vote on that item will be invalid.

### 4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) Return both forms together.

### 5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual:** where the holding is in one name, the holder must sign.
- Joint Holding:** where the holding is in more than one name, either security holder may sign.
- Power of Attorney:** To sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### 6 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below by 6:00pm on 29 May 2017, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Completed proxies can be returned to the Company Secretary by either mail to GPO Box 5261, Brisbane, Qld 4001; or facsimile to (07) 3303-0681, or scanned and emailed to [kschlobohm@armouenergy.com.au](mailto:kschlobohm@armouenergy.com.au)**