



Prospectus

Armour Energy Limited ACN 141 198 414 (Company)

For the offer of up to 290,000,000 Shares and 96,666,667 Listed Options at an issue price of nil each. The Prospectus has been prepared primarily for the purpose of remove trading restrictions on the sale of all Shares and Listed Options.

This document is important and it should be read in its entirety. If you are in any doubt as to the contents of this document, you should consult your stockbroker, solicitor, banker, financial advisor or accountant as soon as possible. The securities offered under this Prospectus are considered to be speculative.

This Prospectus is dated 21 April 2022 and was lodged with the ASIC on 21 April 2022. Neither the ASIC nor ASX nor any of their respective officers take any responsibility as to the contents of this Prospectus.

This is a transaction-specific prospectus issued in accordance with section 713 of the *Corporations Act 2001* (Cth).

Not for distribution in the United States of America or to U.S. persons.

Important information

The Offer is only available to those who are personally invited to accept the Offer. The Offer is not available to the general public.

Key Offer Statistics - Shares

Issue Price	\$0.00
Expected number of Shares to be issued	290,000,000
Number of Shares on issue prior to Offer	1,994,451,327
Expected total Shares on issue following the Offer ¹	2,284,451,327

Key Offer Statistics – Listed Options

Issue Price	\$0.00
Exercise Price	\$0.05
Expiry Date	29 February 2024
Expected number of Listed Options to be issued	96,666,667
Number of Listed Options on issue prior to Offer	663,964,751
Expected total Listed Options on issue following the Offer ¹	760,631,418

Key dates

Prospectus lodged with ASIC and ASX	21 April 2022
Offer opens	21 April 2022
Offer closes*	30 June 2022

All dates are subject to change and accordingly are indicative only. The Directors may vary the period of the Offer at their discretion. The Directors, subject to the requirements of the Listing Rules and the Corporations Act, reserve the right to: (a) withdraw the Offer without prior notice; or (b) vary any of the important dates set out in this Prospectus, including extending the Offer or bringing forward the Closing Date.

Important notice

This Prospectus is dated 21 April 2022 and was lodged with the ASIC on the same date. Neither ASIC nor ASX takes any responsibility as to the contents of this Prospectus. No securities will be issued on the basis of this Prospectus any later than 13 months after the date of issue of this Prospectus.

This Prospectus contains an offer of shares (continuously quoted securities) and options to acquire continuously quoted securities and has been prepared in accordance with section 713 of the *Corporations Act*. It does not contain the same level of disclosure as an initial public offering prospectus and is intended to be read in conjunction with the publicly available information in relation to the Company which is released on the ASX from time to time.

The Offer is not available to the general public.

The Offer is only available to the person(s) who are personally invited by the Company to accept the Offer. The Company will provide an application form to those persons only. An application for the Shares or the Listed Options offered pursuant to this Prospectus can only be submitted on an original application form.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares and Listed Options the subject of this Prospectus should be considered speculative.

Foreign shareholders

This document does not constitute an offer of the Shares or Listed Options in any jurisdiction in which it would be unlawful. Shares and Listed Options may not be offered or sold in any country outside Australia except to the extent permitted below.

The Company has not made any investigation as to the regulatory requirements that may prevail in the countries, outside of Australia in which the Company's Shareholders may reside. It is the responsibility of overseas applicants to ensure compliance with all laws of any country relevant to their Acceptance.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe those restrictions. Any failure to comply with restrictions might constitute a violation of applicable securities laws.

Terms used

A number of terms and abbreviations used in this Prospectus have defined meanings, which are explained in the definitions and glossary in section 5.

Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated.

Forward looking statements

Some of the information contained in this Prospectus constitutes forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'should', 'will', 'expects', 'plans' or similar expressions. These statements discuss future objectives or expectations concerning results of operations or financial conditions or provide other forward-looking information. The Company's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements. This Prospectus details some important factors that could cause the Company's actual results to differ from the forward-looking statements made in this Prospectus.

No representations

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation in connection with the Offer not contained in this Prospectus may not be relied on as having been authorised by the Company or its officers. This Prospectus does not provide investment advice or advice on the taxation consequences of accepting the Offer. The Offer and the information in this Prospectus, do not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor.

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1. Details of the Offer

1.1 The Offer

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 290,000,000 Shares and 96,666,667 Listed Options at nil issue price each.

The Offer will only be extended to specific parties on invitation from the Directors. Application forms will only be provided by the Company to these parties.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus. A summary of the rights and liabilities attaching to the Shares is set out in section 4.3.

All of the Listed Options offered under this Prospectus will rank equally with Listed Options on issue at the date of this Prospectus. The full terms of the Listed Options are set out in section 4.4 and in Schedule 1. All Shares issued on exercise of the Listed Options will rank equally with the Shares then on issue.

1.2 Objective

The Company is not seeking to raise any funds under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

On 26 July 2018, Armour (as guarantor) and its subsidiary, Armour Energy (Surat Basin) Pty Ltd (**Armour Surat**) (as borrower) entered into a credit facility agreement (**Tribeca Facility**) with Equity Trustees Limited (in its capacity as the trustee of the Tribeca Global Natural Resources Credit Fund) and Tribeca Global Natural Resources Credit Master Fund (together **Tribeca**) and Tribeca Global Resources Credit Pty Ltd for the provision of an environmental bonding finance facility, as amended from time to time including on 20 November 2019, 21 April 2021, 15 September 2021, 29 December 2021, March 2022 and on or about the date of this Prospectus. The Facility is secured by a guarantee from the Company, a first ranking security interest over seven bank accounts controlled by Westpac Banking Corporation (the **Credit Accounts**) in the name of Armour Surat, and a second ranking featherweight security interest over all the present and after-acquired property of Armour Surat.

The Tribeca Facility has a 9% per annum coupon rate payable by Armour Surat quarterly in arrears on amounts drawn with the maturity date extended to 31 December 2021 and the principal owing is \$5,392,568.

On 29 December 2021, the parties to the Tribeca Facility entered into an amendment agreement to the Tribeca Facility (**Amendment Agreement**) to provide for a further term extension and facilitate the repayment of the Tribeca Facility by way of:

- (a) the Company issuing a total of 290,000,000 Shares and 48,333,333 Options to Talbragar River Holdings Pty Ltd (**Talbragar**) and PECAL Pty Ltd (**PECAL**);
- (b) the Company issuing 48,333,334 Options to Tribeca;
- (c) Talbragar and PECAL agreeing to sell the Securities (**Proceeds**);
- (d) here are no current identified recipients of the Securities;
- (e) Talbragar and PECAL remitting the Proceeds to Armour Surat; and
- (f) Armour Surat paying an amount equal to the Proceeds to be applied first to reduce the principal outstanding under the Tribeca Facility, secondly to pay any accrued interest on the Tribeca Facility and thirdly to pay the Extension Fee (as defined in the Tribeca Facility) in complete and full satisfaction of all amounts owing under or in connection with the Tribeca Facility.

Upon repayment of the Tribeca Facility, Tribeca will release the security interest held over the Credit Accounts.

The Company has sought to structure this repayment arrangement for the following reasons:

- (a) The Tribeca Facility has a current balance of \$5,392,568 and was due to mature on 31 December 2021. Prior to the current settlement proposal, the loan maturity had already been extended twice, initially to 30 September 2021 and then to 31 December 2021. Tribeca has advised the Tribeca Facility would not be renewed and settlement would be required.
- (b) In light of the aforementioned, the Company investigated options, inclusive of an equity re-payment mechanism, to paydown the Tribeca Facility.
- (c) Commercial negotiation with Tribeca resulted in the arrangements, as described, being agreed while consideration was given to both the Armour Surat constraints and the Tribeca rights as the counter party.
- (d) Talbragar and PECAL will be contracted to provide a commercial service in receiving and selling the Placement Shares and Placement Options to parties who have not specifically been identified by Armour Energy Ltd or Armour Surat.
- (e) The sale Proceeds will be remitted to Armour Surat who in turn will apply the Proceeds in settlement of amounts owing under the Tribeca Facility. The rights of Tribeca and the obligation of Armour Surat thus being fulfilled.

The Company gave notice of its intention to seek shareholder approval to facilitate the issue of the Shares and Listed Options under the Listing Rules and the financial assistance provisions of the Corporations Act.

The primary purpose of this Prospectus is to prevent any trading restrictions from attaching to the Securities and Tribeca Options following the shareholder approval at the EGM and proposed to be issued without disclosure under Chapter 6D of the Corporations Act:

- (a) up to 290,000,000 Shares, subject to shareholder approval, were agreed to be issued to Talbragar and PECAL (**Placement Shares**);
- (b) up to 48,333,333 Options, subject to shareholder approval, were agreed to be issued to Talbragar and PECAL (**Placement Options**); and
- (c) up to 48,333,334 Options, subject to shareholder approval, were agreed to be issued to Tribeca (**Tribeca Options**),

(together the **Securities**).

Shareholder approval was obtained for the issue of the Securities was obtained on 4 April 2022. Refer to the Notice of Extraordinary General Meeting dated 4 March 2022 for further information in respect of the arrangements pertaining to the Securities.

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

As the Placement Shares are specifically being issued for the purpose of re-sale, the Company is unable to rely on the exemption as contained in section 708A of the Corporations Act to rely on a cleansing prospectus or cleansing notice.

Accordingly, the primary purpose of this Prospectus is to comply with section 713 of the Corporations Act so that the recipients of the Securities, if they choose to, can sell the Securities within the next twelve

months without the issue of a prospectus. The issue of the Securities is undertaken by the Company with the purpose of the recipients selling or transferring the Securities. The Directors expect the Placement Shares to be sold imminently. The Directors consider that the recipients of the Securities should be able to sell the Securities should they wish to do so, without being required to issue a prospectus. The Securities are intended to be issued prior to the close of the Offer.

1.3 **Minimum subscription**

There is no minimum subscription in respect of the Offer.

1.4 **Underwriter**

The Offer is not underwritten.

1.5 **ASX listing**

The Company will apply to the ASX within 7 days of the date of this Prospectus for the Securities to be issued pursuant to this Prospectus to be listed for Official Quotation by the ASX. If granted, quotation of the Securities will commence as soon as practicable after allotment of the Securities to Talbragar, PECAL and Tribeca.

Should the Securities offered pursuant to this Prospectus not be granted Official Quotation on the ASX within three months after the date of this Prospectus (or such period as varied by ASIC), none of those Securities offered pursuant to this Prospectus will be issued.

1.6 **CHESS**

The Company will apply to ASX Settlement for the Securities to participate in the Securities Clearing House Electronic Subregister System known as CHES.

The Company will not issue certificates with respect to the Securities. After allotment of the Securities, those who are issuer sponsored holders will receive an issuer sponsored statement and those who are CHES holders will receive an allotment advice.

The CHES statements, which are similar in style to bank account statements, will set out the number of Securities allotted to each successful applicant pursuant to this Prospectus. The statement will also advise holders of their holder identification number. Further statements will be provided to holders which reflect any changes in their holding in the Company during a particular month.

2. Effect of the Offer on the Company

2.1 Purpose of the Offer

The primary purpose of this Prospectus is set out above in section 1.2. Under the Offer, no funds will be raised. Refer to section 4.13 for further details relating to the estimated expenses of the Offer.

2.2 Financial position

The expenses of the Offer are expected to be approximately \$375,000 as set out in section 4.13 (**Expenses of the Offer**) and no proceeds will be received. The expenses of the Offer will be met from the Company's existing cash reserves. The Offer will have an effect on the Company's financial position by reducing the cash balance by the amount of the Expenses of the Offer less any proceeds received under the Offer.

While no funds will be raised under the Offer, the subsequent sale of the Placement Shares will be used to repay the Tribeca Facility in the Company's pursuit to pay down debt. The Tribeca Facility has a 9% per annum coupon rate payable by Armour Surat quarterly in arrears with the maturity date extended, the principal owing is \$5,392,568.

2.3 Capital structure

The share capital structure of the Company immediately following the Offer will be as follows:

	Number	%
Ordinary Shares on issue at the date of this Prospectus	1,994,451,327	87.31
Ordinary Shares offered pursuant to the Offer	290,000,000	12.69
Total:¹	2,284,451,327	100

Notes:

- 1) This does not include any Shares issued as a result of holders exercising any Existing Options or Placement Options or Tribeca Options.

As at the date of this Prospectus, and in addition to the 48,333,333 Placement Options and the 48,333,334 Tribeca Options, the Company has the following Existing Options on issue, as follows:

Grant Date	Expiry Date	Number	Exercise price	vested
		#	\$	%
1/10/2019	30/09/2023	40,000,000	\$0.08	100.00%
17/12/2019	30/09/2023	8,000,000	\$0.08	100.00%
23/06/2020	29/02/2024	31,166,497	\$0.05	100.00%
30/06/2020	29/02/2024	7,018,341	\$0.05	100.00%
12/08/2020	29/02/2024	9,424,831	\$0.05	100.00%
24/08/2020	29/02/2024	16,894,150	\$0.05	100.00%
17/09/2020	29/02/2024	35,929,524	\$0.05	100.00%
1/10/2020	29/02/2024	144,163,885	\$0.05	100.00%
19/10/2020	29/02/2024	87,811,409	\$0.05	100.00%
22/12/2020	29/02/2024	66,778,341	\$0.05	100.00%

24/03/2021	29/02/2024	62,494,099	\$0.05	100.00%
9/07/2021	29/02/2024	66,355,466	\$0.05	100.00%
29/09/2021	29/02/2024	73,397,439	\$0.05	100.00%
24/21/2021	29/02/2024	64,530,769	\$0.05	100.00%
		<hr/>		
Balance		713,964,751		
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An additional 98,666,667 Listed Options may be issued pursuant to this Prospectus.

The Company also has Secured Amortising Notes on issue with a total value of \$27,117,200.¹

¹ This figure includes the \$5.3 million paid by the Company as an unscheduled amortisation payment which is held in trust by the Note Trustee to be applied as a payment to each Note on 29 September 2020.

3. Risk factors

3.1 Introduction

There are risks which may impact on the operating and financial performance of the Group and, therefore, on the value of the Shares and Listed Options offered under this Prospectus (and the Shares issued on exercise of those Listed Options). Some of these risks can be mitigated by the Group's systems and internal controls, but many are outside of the control of the Group and the Board, are dependent on the policies adopted and approaches taken by regulatory authorities or cannot otherwise be mitigated. There can be no guarantee that the Company will achieve its stated objectives or that any forward-looking statements will eventuate.

The Shares and Listed Options offered under this Prospectus (and the Shares issued on exercise of those Listed Options) carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to the future performance of the Company. As with any equity investment, substantial fluctuations in the value of your investment may occur.

Potential investors should therefore carefully consider all associated risks before applying for Shares and Listed Options under this Prospectus and should consider their personal circumstances (including financial and taxation issues) and seek advice from their stockbroker, accountant, solicitor or other professional advisers before deciding whether to invest (particularly if you are unsure about subscribing for Shares and Listed Options).

A number of material risk factors which may adversely affect the Group and the value of the Shares and Listed Options offered under this Prospectus (and the Shares issued on exercise of those Listed Options) are set out in this section. This is not an exhaustive list and there may be other factors which have an adverse effect on the Group and the value of the Shares and Listed Options offered under this Prospectus (and the Shares issued on exercise of those Listed Options).

3.2 Risks specific to an investment in the Company

(a) Commodity price risk

Armour Energy sells natural gas, LPG, condensate, and oil. Prices for these commodities has been very volatile over the last two years. For example, the Brent oil price fell to A\$21/bbl in April 2020 but has increased to >US\$100/bbl recently. Similarly, the spot gas price in the East Coast market has been volatile. Since the start of 2020, the Short-Term Trading Market price (spot gas price) reached a minimum of A\$2.67/GJ and a maximum of \$28/GJ. Armour Energy has a term contract with APLNG at a fixed price, escalating at CPI. However, Armour is exposed to spot pricing for its gas sales above 5TJ/d, and also for its sale of LPG, condensate, and oil.

(b) Uganda Risk

The Company currently holds the Licence in Uganda thorough Armour Energy International Ltd, a Company in which Armour Energy Ltd owns 16.83%. The Company has received consent from the Minister to transfer the Licence to Armour Energy Uganda and has reached agreement with the Minister for the performance guarantee for the renewed Licence term for an amount of US\$200,000. However, it remains in negotiations in respect of the Relinquishment. The Company and DGR Global are in negotiations with respect to an agreement to transfer the Licence to Armour Energy Uganda and the provision of the performance guarantee to the Minister. Once these issues are resolved between Armour and DGR Global, Armour will request that the Minister transfer the Licence to Armour Energy Uganda.

Accordingly, while the Company remains the licensee in respect of the Licence, it is likely that any demand by the Government of the Republic of Uganda for the payment of amounts in respect of

Licence (i.e. the Ugandan Conditional Contingent Licence Liability) would be made directly to the Company. In such circumstances, the Company would likely either have primary liability as the Licensee or ancillary liability as a potential guarantor. It is also likely that even when the Licence is transferred to Armour Energy Uganda, that as a result of the Parent Company Guarantee, that such a demand for payment would still be made directly to the Company. Where the demand by the Government of the Republic of Uganda for a payment was held by a court of competent jurisdiction to be valid, the Company would be liable for the relevant amount and would need to look to DGR Global pursuant to the terms of the Deed of Indemnity and Guarantee to pay its 83.18% share of the relevant liability.

Accordingly, there exists counterparty risk in respect of the Deed of Indemnity and Guarantee. Should a dispute arise between the Company and DGR Global as to the relevant liability or the Deed of Indemnity and Guarantee, this could place the Company in the position of having 100% exposure to the relevant liability, being required solely to pay the relevant amount to the Government of the Republic of Uganda and having to pursue DGR Global (a major shareholder in the Company) for its contribution pursuant to the Deed of Indemnity and Guarantee.

A similar counterparty risk exists in respect of DGR Global funding at least its proportionate share (83.18%) of the Second Exploration Period Minimum Work Program.

The Company has written to the Minister invoking the *force majeure* provisions under both the Act and the PSA in respect of its obligations under the PSA generally, and in respect of the 2D Seismic Survey in particular.

(c) **Secured Amortising Notes Risk**

On 26 March 2020, the Company announced that Noteholders had approved the amendment to certain terms of the Conditions of the Notes.

The Notes (as amended) require financial covenants to be satisfied on either an on-going basis or on specified dates (**Financial Covenants**). This requires the management of the Company to monitor and manage the operations, the financial performance and the funding and capital requirements of the Company to ensure that these Financial Covenants are satisfied.

As announced to the ASX on 20 August 2020, the Company has entered into certain asset transactions which has resulted in the Company making \$5.3 million in unscheduled amortisation payments, as required under the Conditions. Once these unscheduled amortisation payments are applied to the Notes on 29 September 2020, the value of the issued Notes will be reduced to \$45.85 million.

In the event that the Company is unable to comply with the conditions of the Notes (as amended) (**Conditions**) and a breach of the Conditions occurs and continues unremedied, then any Noteholder may require redemption of the Secured Amortising Notes held by that Noteholder, and the Note Trustee must (if requested to in writing by Noteholders holding in aggregate 25% or more of the Outstanding Principal Amount, (as defined)) require redemption of all the Secured Amortising Notes. In these circumstances the Secured Amortising Notes would become immediately due and payable. In total this would amount to \$45.85 million² (assuming for example that all Secured Amortising Notes had become immediately due and payable). In addition, from the date of the breach until the date on which the breach is remedied the Conditions provide for default interest to be payable at a rate equal to the coupon rate plus 3% per annum. If the Company or the Guarantors (pursuant to the Guarantee given by certain of the Company's subsidiaries in respect of the Notes) could not repay the amount due and payable, then the Security Trustee could exercise its rights under the Security for the benefit of the Noteholders to enforce the Security. This may include appointing receivers to sell assets subject

² This figure includes the \$5.3 million paid by the Company as an unscheduled amortisation payment which is held in trust by the Note Trustee to be applied as a payment to each Note on 29 September 2020.

to the Security (and there can be no assurance that there will be at that time an active and liquid market for the assets the subject of the Security or that the market value of the assets will be equal to or greater than the outstanding amount owed in respect of the Notes), and may ultimately result in external administration for the Company. In such circumstances, as the Shareholders will rank behind the secured creditors and other creditors preferred at law in order of priority for payment, it is unlikely that Shareholders would receive any money and accordingly, would result in an entire loss of invested capital.

As noted above, the Company will monitor the on-going financial performance of the Company having regard to the management and satisfaction of on-going Financial Covenants and may, if required, adopt a course of action which seeks to prevent a breach of the Financial Covenants, including, without limitation, any one or a combination of the following actions (noting that some of the following actions are themselves regulated under the Conditions of the Notes):

- (1) the disposal of assets of the Company;
- (2) the entry into joint venture / farm-in arrangements with third parties; or
- (3) the negotiation of further amended Conditions (including the Financial Covenants) with the holders of the Notes.

In March 2021 Armour received approval from Noteholders for amendments to the Conditions of the Secured Amortising Notes. The approved amendments include:

- (1) New Note principal amortisation schedule to reflect the \$11.4 million reduction in aggregate outstanding principal value of the Notes by way of unscheduled amortisation payments already made by Armour.
- (2) Amendments to Financial Undertakings, including the Debt Service Cover Ratio, the Leverage Ratio and the cash balances Armour must maintain
- (3) Amendments to increase a certain limit on incurring Financial Indebtedness
- (4) The creation of a new Interest Reserve Account which requires Armour to maintain a certain balance
- (5) Amendments to the early redemption of Notes provisions
- (6) Amendments to the payment timeframes for the unscheduled amortisation payments
- (7) Consent from the Noteholders to extend the due date for the environmental bonding finance facility.

On 7 April 2022 the Company issued a further Notice of Circulating Resolution to Noteholders for amendments to the Conditions of the Secured Amortising Notes. The approved amendments include:

- 1) Waiver of any breach of certain Financial Undertakings including the Debt Service Cover Ratio and the Leverage Ratio that may have arisen prior to the date on which the Circulating Resolution is passed;
- 2) Amendments to Financial Undertakings, including the Debt Service Cover Ratio and the Leverage Ratio Armour must maintain;
- 3) Amendments to increase a certain limit on incurring Financial Indebtedness;

- 4) Consent from Noteholders to extend the due date for the environmental bonding finance facility.

Whilst the Company, based on discussions to date, believes approval from Noteholders should be forthcoming, no assurance can be given that the amendments, waiver and consents will ultimately be approved. If the amendments, waiver and consents are not approved, the Company may be in breach of the Conditions of issue and such a breach, if unremedied, may amongst other matters require the Company to redeem all of the Notes.

These amendments provide Armour the runway required to execute the proposed McArthur Oil & Gas demerger and IPO. In turn, upon success of the demerger and IPO, Armour intends to use the consideration received to retire some or all its outstanding debt.

(d) Regulatory risk and government policy

The availability and rights to explore and produce oil and gas, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of the Company.

The governments of the relevant States and Territories in which the Company has interests conduct reviews from time to time of policies in connection with the granting and administration of petroleum tenements. Changing attitudes to environmental, land care, cultural heritage or traditional religious artefacts and indigenous land rights issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect the Company's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

The Company notes that on 11 April 2018 the Northern Territory Government announced that the moratorium on fracture stimulation of unconventional onshore gas reservoirs is to be lifted and hydraulic fracking will be able to occur under very strict conditions in tightly prescribed areas. On 17 July 2018 the Northern Territory Government released its plan to implement the recommendations of the independent scientific inquiry into unconventional hydraulic fracturing. The implementation plan and the "reserved areas" may affect the manner in which the Company can undertake operations on its tenements in the Northern Territory. The Company holds Exploration Permits 171, 174, 176, 190, 191 and 192 in the McArthur Basin, Northern Territory, which are considered highly prospective for large shale oil and gas resources.

Following a moratorium on exploration in Victoria, onshore conventional gas sector commenced on 1 July 2021. This restart follows three years of detailed scientific investigations by the Victorian Gas Program (VGP), which found an onshore conventional gas industry would not compromise the environment or our vital agricultural sector. The Company has an interest in PEP 169 Otway Basin (51%) and PEP 166 Gippsland Basin (25%).

(e) Uncertainty of development of projects and exploration risk

Oil and gas exploration and development are high risk undertakings and involve significant risks. The Company's performance depends on the successful exploration and/or acquisition of resources or reserves and commercial production therefrom. There can be no assurances that the Company's exploration programs relating to any projects or tenements that the Company has or may acquire in the future, will result in the discovery of a significant gas and/ or associated liquids target, and even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The Company's potential future earnings, profitability and commercialisation of gas and/ or associated liquids reserves, and resources will be dependent on the successful discovery and subsequent extraction of those resources to the extent that may be required to fulfil commercial obligations.

Successful commodity development and production is dependent on obtaining all necessary consent and approvals and the successful design, construction and operation of efficient gathering,

processing and transportation facilities. No assurance can be given that the Company will be able to obtain all necessary consents and approvals in a timely manner, or at all.

Successful commodity development is also dependent on appropriate development and/or expansion of both new and existing facilities required to connect resources to market by the Company and, in certain instances, by third parties. No assurance can be given that the Company can rely on the timely development and/or expansion of such facilities.

(f) **Health and safety risk**

As with any gas or associated liquids project, there are health and safety risks associated with the Company's gas operations in Australia and overseas. The Company manages these risks, through the application of structured health and safety management systems. As the operator of plant and equipment, the Company has specific legislative obligations to ensure that its personnel and contractors operate in a safe working environment.

(g) **Insurance risk**

The Company maintains insurance within ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

(h) **Operational risks and costs**

The Company is currently a producer of oil and gas which is sold under commercial contracts. The Company's immediate plans and objectives are dependent upon a continuation of such production generating operating surpluses to assist the Company in funding its planned expenditure programs. Whether it can do so will depend largely upon an efficient and successful, operation and exploitation of the resources and associated business activities and management of commercial factors.

Operation and exploitation may from time to time be hampered on occasions by unforeseen operating risks, as would any other industry. For example, force majeure events, power outages, critical equipment or pipe failures, and environmental hazards such as noise, odours, gas leaks, hazardous substances spills, other weather events, industrial accidents and other accidents, unforeseen cost changes and other incidents beyond the control of the Company can negatively impact on the Company's activities, thereby affecting its profitability and ultimately, the value of its securities.

Ultimate success depends on the discovery and delineation of economically recoverable mineral resources, establishment of efficient exploration operations, obtaining necessary titles and access to projects, as well as government and other regulatory approvals.

The exploration and mining activities of the Company may be affected by a number of factors, including but not limited to geological conditions; seasonal weather patterns; equipment difficulties and failures, technical difficulties and failures; continued availability of the necessary technical equipment, plant and appropriately skilled and experienced technicians; improper, defective and negligent use of technical plant and equipment; improper, defective and negligent conduct by employees, consultants and contractors; adverse changes in government policy or legislation; and access to the required level of funding.

(i) **Competition risk**

The gas and associated liquids industry that the Company is involved in is highly competitive in Australia. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its

competitors, which may positively or negatively affect the operating and financial performance of the Company's projects and business. There can be no assurance that the Company can compete effectively with numerous other gas and associated liquids companies in the search for gas and associated liquids reserves and resources.

(j) **Business risks**

There are risks inherent in doing business, such as unexpected changes in regulatory requirements, trade barriers, longer payment cycles, problems in collecting accounts receivable, network and infrastructure issues and potentially adverse tax consequences, any of which could adversely impact on the success of the Company's operations.

(k) **Contractual and joint venture risks**

The Company's ability to efficiently conduct its operations in a number of respects depends upon third party product and service providers and contracts. Accordingly, in some circumstances, contractual arrangements have been entered into by the Company and its subsidiaries. As in any contractual relationship, the ability for the Company to ultimately receive benefits from these contracts is dependent upon the relevant third party complying with its contractual obligations.

To the extent that such third parties default in their obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly, and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

Additionally, some existing contractual arrangements have been entered into by the Company and its subsidiaries may be subject to the consent of third parties being obtained to enable the Company to carry on all of its planned business and other activities and to obtain full contractual benefits.

No assurance can be given that any such required consent will be forthcoming. Failure by the Company to obtain such consent may result in the Company not being able to carry on all of its planned business and other activities or proceed with its rights under any of the relevant contracts requiring such consent.

A number of the Company's projects are already the subject of joint venture arrangements. Additionally, the Company may wish to develop its projects or future projects through further joint venture arrangements. Any joint ventures entered into by, or interests in joint ventures assigned to, the Company could be affected by the failure or default of any of the joint venture participants.

(l) **Product sales, commodity prices and transportation**

The Company's potential future revenues will be derived mainly from the sale of gas and/or associated liquids. Consequently, the Company's potential future earnings, profitability and growth are likely to be closely related to both the price of gas and associated liquids and the cost to extract, process and transport the gas and/or associated liquids to the market. Whilst the Company has entered into gas sale agreements with Australian Pacific LNG Marketing Pty Ltd (**APLNG**), there can be no assurance that the Company will ultimately be able to sell or transport the gas and/or associated liquids that it produces on commercial terms to APLNG or other parties. Gas is a traded commodity in Australia and its long-term price may rise or fall. In other jurisdictions, gas prices may be regulated or subject to regulation, that could cause prices to be lower than the cost of production. Armour is a party to a gas sales agreement with APLNG that has a minimum contract quantity of 5 TJ/d. Armour is currently short falling the minimum contract quantity. Armour is paying penalties to the customer in line with its contractual obligations arising from the shortfall. Armour is evaluating its options to increase production which would mitigate the shortfall penalties.

Gas transport prices in open access transmission gas pipelines are subject to available capacity and are generally subject to regulation in Australia although gas transport capacity is also a traded commodity particularly when capacity is restricted. This can result in gas transport prices that are higher than regulated or, in the worst case, delay to or even inability to transport at an economic price.

Additionally, the Company's prospects and perceived value will be influenced from time to time by the prevailing short-term prices of the commodities targeted in its exploration programs. Commodity prices fluctuate and are affected by factors including supply and demand for mineral products, hedge activities associated with commodity markets, the costs of production and general global economic and financial market conditions.

Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand factors. These factors may have an adverse effect on the Company's exploration and any subsequent development and production activities, as well as its ability to fund its future activities.

These factors may cause volatility which in turn, may affect the Company's ability to finance its future exploration and/or bring the Company's products to market.

(m) **Tenements**

A failure to adhere to the requirements to exceed certain levels of expenditure on concessions and tenements held by the Group in various jurisdictions may make certain concessions and tenements subject to possible forfeiture. All granted concessions and tenements (with the exception of ATP 2028 and ATP 2029, and Petroleum Lease 21 (PL21) which are discussed below) are currently in good standing and, in accordance with normal industry practice, the Company surrenders some or all un-prospective parts of its concessions and tenements at the appropriate time so as to manage its minimum expenditure obligations and to retain the capacity to apply for additional prospective areas.

In respect of granted tenements, no assurance can be given that the Company will be successful in managing its minimum expenditure obligations and retaining such tenements and no assurance can be given that the Company will be successful in being awarded the tenements sought under its tender.

On 29 July 2019, the Company lodged 4 applications to declare a potential commercial area over ATP 2028 and on 30 July 2019, the Company lodged a further application to declare a potential commercial area over ATP 2029 (together the **PCA Applications**). On 30 July 2019, the Company lodged a renewal of ATP 2028 and ATP 2029 beyond the maximum statutory period of 12 years (**Renewal Applications**). Both ATPs took effect on 1 August 2007 and consequently were due to expire on 31 July 2019, however they continue in force by virtue of the PCA Applications. Despite the Company making further submissions to the relevant government authority, on 28 May 2020 the PCA Applications were refused. ATP 2028 has therefore been conceded.

As at the date of this Prospectus, the Company has lodged an application in the Land Court to appeal the decision to refuse the PCA Applications. However, there can be no guarantee that such appeal will be successful. If the appeal is unsuccessful, ATP 2029 will lapse.

Petroleum Lease PL21 (PL21) was granted on 21 April 1983 and was due to expire on 18 April 2019. By way of transfer of the Kincora assets from Origin to Armour, Armour obtained PL21 on or around September 2015.

On 17 April 2019, the Company made an application to renew the existing PL21 (**PL(A)1071 Application**). This PL(A)1071 Application forms part of a project based Later Development Plan (**LDP**) over the Kincora Project area. However, at the time of the PL(A)1071 Application, the Company has not completed its work program under PL21. On 13 September 2019, the Company received a request for additional information from the DNRME in relation to other petroleum leases application as part of the Kincora Project and more generally. On 20 November 2019 the Company provided information to DNRME in response to the notices.

At the date of this Prospectus, DNMRE have not yet provided a response on the PL(A)1071 Application (or the rest of the LDP). In the event that the PL(A)1071 Application is approved, it is possible that conditions may be attached to the PL(A)1071 Application in respect of the uncompleted work program for PL21. In the event that DNRME rejects the PL(A)1071 Application, PL21 may be at risk of forfeiture, subject to any review or appeal rights the Company may have under the relevant legislation.

(n) **Unforeseen expenses**

The Company's cost estimates and financial forecasts include appropriate provisions for material risks and uncertainties and are considered to be fit for purpose for the proposed activities of the Company. If risks and uncertainties prove to be greater than expected, or if new currently unforeseen material risks and uncertainties arise, the expenditure proposals of the Company are likely to be adversely affected.

(o) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on such factors as:

- (1) the continuation of receipt of operating revenue from producing wells; and
 - (2) the outcome of the Company's exploration programs,
- the Company may require further financing.

Any additional equity financing will dilute shareholdings and debt financing (if available) and may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs. In addition, the Company's ability to continue as a going concern may be diminished.

There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company and such circumstances will adversely affect the Company.

(p) **Contractors**

The Company is dependent on contractors and suppliers to supply vital services to its operations. The Company is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers. Any disruption to services or supply may have an adverse effect on the financial performance of the Company.

(q) **Reliance on key personnel and employees**

In formulating its exploration programs, the Company relies to a significant extent upon the experience and expertise of the Directors and management.

These persons possess knowledge of many of the Company's tenements through extensive personal experience of prospecting in those areas.

Although information concerning the Company's tenements has been chronicled, the loss of one or more of these key personnel may adversely affect the Company's prospects of pursuing its exploration programmes within the timeframes and within the cost structure currently envisaged. Although the key personnel have a considerable amount of experience and have previously been

successful in their pursuits of important prospecting discoveries, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Company.

The ability of the Company to achieve its objectives depends on being able to both recruit and retain certain key employees, skilled operators and tradespeople. Whilst the Company has entered into employment contracts with key employees, the retention of their services cannot be guaranteed. The loss of, or inability to recruit, key employees or skilled operators and tradespeople could significantly affect the performance of the Company's operations.

(r) **Investment speculative**

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares or Listed Options.

(s) **Australian Native Title risk and Aboriginal Cultural Heritage**

The *Native Title Act 1993* (Cth) recognises certain rights of indigenous Australians over land where those rights have not been extinguished. These rights, where they exist, may impact on the ability of the Company to carry out exploration and in future, mining activities, or obtain exploration or mining licences in Australia. In applying for licences over crown land, the Company must observe the provisions of Native Title legislation.

In Queensland, the *Aboriginal Cultural Heritage Act 2003* (Qld) and the *Torres Strait Islander Cultural Heritage Act 2003* (Qld) impose duties of care which require persons, including the Company, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage.

In carrying out exploration and/or mining operations, the Company must observe Native Title legislation (where applicable), Aboriginal heritage legislation and heritage legislation which protects sites and objects of significance and these may delay or impact adversely on the Company's operations in Australia.

(t) **Environmental risks**

The Company's projects are subject to laws and regulations in relation to environmental matters. As a result, there is the risk that the Company may incur liability under these laws and regulations. The Company proposes to comply with applicable laws and regulations and conduct its programs in a responsible manner with regard to the environment.

(u) **Funding**

The Company must undertake significant capital expenditures in order to conduct its development appraisal and exploration activities. Limitations on the access to adequate funding could have a material adverse effect on the business, results from operations, financial condition and prospects. The Company's business and, in particular development of large-scale projects, relies on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available on acceptable terms or at all.

Furthermore, should the Company be able to access debt there is a risk of default, either where the Company cannot make the required payments or from a 'technical default' in which certain conditions of the existing debt securities are not met, which may result in a range of actions being undertaken by any secured lender, including the appointment of administrators or receivers.

The Company endeavours to ensure the best source of funding is obtained to maximise shareholder value, having regard to prudent risk management supported by economic and commercial analysis of all business undertakings.

(v) **Kincora Project Reliance Risk**

The Company's key operating asset is the Kincora Project which restarted production in December 2017. The Company derives significant operating revenues from the Kincora Project.

The Company's operations at the Kincora Project may from time to time be hampered on occasions by unforeseen operating risks. Should an event occur which forced the closure of, or otherwise disrupted or interrupted, the Kincora Gas Plant for a material period of time, it would likely have a significant impact on the Company's commercial contracts and the operating revenue and ultimate funds available to the Company.

In particular, events such as force majeure events, power outages, critical equipment or pipe failures, and environmental hazards such as noise, odours, gas leaks, hazardous substances spills, other weather events, industrial accidents and other accidents, unforeseen cost changes and other incidents beyond the control of the Company could negatively impact on the Company's activities at the Kincora Project, thereby affecting its profitability and ultimately, the value of its securities.

The Company maintains insurance within ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted at the Kincora Gas Plant. No assurance, however, can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

3.3 **General Risks**

(a) **Market Risk**

The market price of listed securities can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resources sector and exploration companies in particular. The Shares and Listed Options carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of factors (both national and international) that may affect the market price and neither the Company nor its Directors have control of those factors.

(b) **General Economic Conditions**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, inflation, supply and demand, industrial disruption and other economic factors. The price of commodities will also be of particular relevance to the Company. These factors are beyond the control of the Company and the Company cannot, with any degree of certainty, predict how they will impact on the Company.

(c) **Industrial Risk**

Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

(d) **Management actions**

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

(e) **Taxation and royalties**

In all places where the Company has operations, in addition to the normal level of income tax imposed on all industries, the Company may be required to pay government royalties, indirect taxes, goods and services tax and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

In Australia, the Federal Government introduced the Petroleum Resources Rent Tax (**PRRT**) to tax profits generated from the exploitation of onshore oil and gas projects, to apply from 1 July 2012. It is possible that the PRRT may adversely affect the Company to the extent that the PRRT applies to gas and associated liquids produced and sold by the Company from onshore production.

The Company may also be required to pay private royalties which may be affected by a number of factors including Government taxation and royalties, commodity prices and eligible deductions such as certain Company expenses. Profitability can be affected by changes to private royalties.

(f) **Legislative change**

Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of the Company.

(g) **Foreign exchange**

Foreign exchange rates fluctuate over time. Fluctuating exchange rates have a direct effect on the Company's operating costs and cash flows expressed in Australian dollars. The Company does not currently have any formal currency hedging in place, which means that adverse changes to foreign exchange rates may have an adverse effect on the Company and its business.

(h) **Resource estimates**

Resource estimates are not precise and involve expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates depend to a significant extent on interpretation of geological boundaries, which may prove to be inaccurate. Should the company encounter unusual mineralisation to that predicted by past drilling and mining, resource estimates may have to be adjusted and feasibility studies may have to be altered in a way that could either benefit or adversely affect the Company's financial projections.

(i) **Speculative nature of investment**

The above list of risk factors is not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares and Listed Options.

Accordingly, the Shares and Listed Options carry no guarantee with respect to the payment of dividends, returns, returns of capital or market value at any time.

4. Additional information

4.1 Transaction specific prospectus

The Company is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the Corporations Act. Under those obligations, the Company is obliged to comply with all applicable continuous disclosure and reporting requirements in the ASX Listing Rules.

This Prospectus is issued under section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to securities in a class of securities which has been quoted by ASX at all times during the three months before the date of the Prospectus or options to acquire such securities. Apart from formal matters this Prospectus need only contain information relating to the terms and conditions of the Offer, the effect of the Offer on the Company and the rights and liabilities attaching to the securities offered.

Copies of the documents lodged by the Company with ASIC may be obtained from or inspected at an office of ASIC.

The Company will provide a copy of any of the following documents, free of charge, to any person who asks for a copy of the document before the Closing Date in relation to this Prospectus:

- (a) annual financial report for the period ending 30 June 2021;
- (b) reviewed half-yearly financial statements for the Company for the periods ending 31 December 2021 and 31 December 2020; and
- (c) any other financial statements lodged in relation to the Company with ASIC and any continuous disclosure notices given by the Company to ASX, in the period starting immediately after lodgement of the annual financial report for the Company for the period ended 30 June 2021 and ending on the date of lodgement of this Prospectus with ASIC.

4.2 ASX Information and Share and Listed Options information

The ASX Announcements that the Company has made since 1 January 2021 are set out in Appendix A of this Prospectus. Copies of ASX announcements made by the Company may be obtained on the ASX website or the Company's website: www.armourenergy.com.au.

The highest and lowest prices of the Shares on the ASX in the six-month period before the date of this Prospectus and the respective periods of those sales are set out below.

	High (\$)	Low (\$)	Volume weighted average (\$)
One month	\$0.018	\$0.009	\$0.01233785
Three months	\$0.023	\$0.009	\$0.01493013
Six months	0.025	\$0.009	\$0.01809153

The last market sale price of Shares as at 19 April 2022 was \$0.011.

The highest and lowest prices of the Listed Options on the ASX in the period since their quotation on 13 August 2020 and before the date of this Prospectus, and the respective periods for those sales are set out below.

	High (\$)	Low (\$)
One month	\$0.005	\$0.002
Since 13 August 2020	\$0.032	\$0.002

The last market sale price of Listed Options as at 14 April 2022, the last day the options traded before lodgement, was \$0.002.

4.3 Rights and liabilities attaching to Shares

The rights and liabilities attaching to Shares to be issued upon exercise of the Listed Options being offered pursuant to this Prospectus are set out in the Company's Constitution, a copy of which is available for inspection at the registered office of the Company during business hours and on the Company's Website. The following is a summary of the principal rights and liabilities of holders of Shares, subject to any special rights attaching to any class of share at a future time. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders.

(a) Voting

At a general meeting of the Company on a show of hands, every member present in person or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

(b) Dividends

The Shares will rank equally with all other issued Shares in the capital of the Company and may participate in dividends from time to time. Subject to the rights of holders of Shares of any special preferential or qualified rights attaching thereto, dividends are payable amongst the holders of Shares in proportion to the amounts paid up on such Shares respectively at the date of declaration of the dividend. The Directors may from time to time pay to Shareholders such final and interim dividends as in their judgment the position of the Company justifies.

(c) Winding up

Fully paid ordinary Shareholders will have no further liability to make payments to the Company in the event of the Company being wound up pursuant to the provisions of the Corporations Act.

(d) Transfer of Securities

Generally, the Shares will be freely transferable, subject to satisfying the usual requirements of security transfers on ASX. The Directors may decline to register any transfer of Shares, but only where permitted to do so under its Constitution and the Listing Rules (as applicable).

(e) Future increases in capital

The allotment and issue of any new Shares is under the control of the Directors. Subject to the Listing Rules, the Company's Constitution and the Corporations Act, the Directors may allot or otherwise dispose of new Shares on such terms and conditions as they see fit.

(f) **Small Holder Disposal**

The Company may take steps in respect of non-marketable holdings of Shares in the Company to effect an orderly sale of those Shares in the event that holders do not take steps to retain their holdings.

The Company may only take steps to eliminate non-marketable holdings in accordance with the Constitution and the Listing Rules. For more particular details of the rights attaching to Shares in the Company, investors should refer to the Constitution of the Company.

For more particular details of the rights attaching to ordinary shares in the Company, investors should refer to the Constitution of the Company.

4.4 **Listed Option terms**

The Listed Options will be issued:

- (b) with an exercise price of \$0.05 for each Listed Option;
- (c) with an expiry date of 29 February 2024 unless earlier exercised; and
- (d) otherwise on the terms and conditions set out in Schedule 1.

4.5 **Corporate Governance**

The Company has adopted a Corporate Governance Charter which can be obtained, at no cost, from the Company's registered office and is also available on the Company's Website.

The Company reports on its compliance with the recommendations made by the Corporate Governance Principles and Recommendations annually. Where the Company's corporate governance practices do not correlate with the practices recommended by the ASX Corporate Governance Council, the Company is working towards compliance however it does not consider that all practices are appropriate for the Company due to the size and scale of the Company operations.

4.6 **Directors' interests**

The nature and extent of the interest (if any) that any of the Directors of the Company holds, or held at any time during the last two years in:

- (a) the formation or promotion of the Company;
- (b) property acquired or to be acquired by the company in connection with:
 - (1) its formation or promotion;
 - (2) the Offer; or
- (c) the Offer,

is set out below or elsewhere in this Prospectus.

Other than as set out below or elsewhere in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit to any director or proposed director:

- (a) to induce them to become, or to qualify as, a Director of the Company; or
- (b) for services provided by a director in connection with:
 - (1) the formation or promotion of the Company; or
 - (2) the Offer.

Set out below are details of the interest of the Directors (and their Associates) in the securities of the Company immediately prior to lodgement of the Prospectus with the ASIC. Interest includes those securities held directly and indirectly.

Director	No of Shares	No of Options ¹	No of Notes
Nicholas Mather	9,019,912	4,613,166	-
Stephen Bizzell	19,287,066	56,969,324	100
Eytan Uliel	-	-	-

Note 1: includes both listed and unlisted Options.

4.7 Directors' Fees

The total maximum remuneration of non-executive Directors is set by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

A Director may be paid fees or other amounts as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

Set out below is the remuneration paid to the current Directors of the Company and their associated entities for the past two financial years.

Directors' remuneration for the financial year ended 30 June 2021:

Director	Salary/Fees/Non-cash benefits	Equity Settled Shares	Superannuation	Total
Nicholas Mather	\$168,000	0	0	\$168,000
Stephen Bizzell	\$40,000	0	0	\$40,000
Roland Sleeman	\$40,000	0	0	\$40,000
Eytan Uliel	\$40,000	0	0	\$40,000

Directors' remuneration for the financial year ended 30 June 2020:

Director	Salary/Fees/Non-cash benefits	Equity Settled Shares	Superannuation	Total
Nicholas Mather	\$203,000	0	0	\$203,000
Stephen Bizzell	\$48,333	0	0	\$48,333
Roland Sleeman	\$48,333	0	0	\$48,333
Eytan Uliel	\$48,333	0	0	\$48,333

The Board considers that these fees are reasonable remuneration pursuant to section 211 of the Corporations Act and accordingly, member approval is not required.

The Directors will not participate in the Offer.

4.8 Related party transactions

From time to time the Company may be party to transactions with related parties including:

- (a) employment and service arrangements; and
- (b) payment of Directors fees; and
- (c) the issue of options.

The Company believes that it has made appropriate disclosure of past related party transactions does not intend to make any further disclosure of such transactions which transactions will have either proceeded on an "arm's length" basis, reasonable remuneration basis or been approved by shareholders in general meeting.

4.9 Payment of Non-Executive Director fees

Each of the Non-Executive Directors of the Company (being Stephen Bizzell and Eytan Uliel) are entitled to be paid a directors' fee in the amount of \$40,000 per annum.

The Board considers that these fees are reasonable remuneration pursuant to section 211 of the Corporations Act and accordingly, member approval is not required.

4.10 Interests of experts and advisers

This section applies to persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoters of the Company and stockbrokers or arrangers (but not sub-underwriters) to the Offer (collectively **Prescribed Persons**).

Other than as set out below or elsewhere in this Prospectus, no Prescribed Person has, or has had in the last two years, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired in connection with the formation or promotion of the Company; or

- (c) the Offer under this Prospectus.

Other than that, as set out below or elsewhere in this Prospectus, no benefit has been given or agreed to be given to any Prescribed Person for services provided by a Prescribed Person in connection with the:

- (d) formation or promotion of the Company; or
- (e) the Offer under this Prospectus.

HopgoodGanim Lawyers are acting as legal adviser to the Offer and have performed work in relation to the Prospectus. In doing so, HopgoodGanim Lawyers have placed reasonable reliance upon information provided to them by the Company. HopgoodGanim Lawyers does not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay approximately \$38,000 (excluding disbursements and GST) to HopgoodGanim Lawyers. HopgoodGanim Lawyers are the Company's Australian legal advisers and are engaged from time to time by the Company on a variety of matters. Further amounts may be paid to HopgoodGanim Lawyers in accordance with its normal time-based charges.

4.11 Subsequent events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

- (a) the operations of the Company;
- (b) the results of those operations; or
- (c) the state of affairs of the Company.

4.12 Litigation

The Company is not engaged in any litigation which has or would be likely to have a material adverse effect on either the Company or its business.

4.13 Expenses of the Offer

All expenses connected with the Offer are being borne by the Company. Total expenses of the Offer are estimated to be in the order of \$53,206 (excluding GST). The breakdown of the expenses are as follows:

- (a) Legal fees of approximately \$38,000;
- (b) ASIC fees of approximately \$3,206; and
- (c) ASX Listing fees approximately \$12,000.

4.14 Consents and disclaimers

Written consents to the issue of this Prospectus have been given and at the time of this Prospectus have not been withdrawn by the following parties:

HopgoodGanim Lawyers have given and have not withdrawn their consent to be named in this Prospectus as legal advisers to the Offer in the form and context in which they are named. They take no responsibility for any part of the Prospectus other than references to their name.

4.15 **Directors' statement**

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

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



.....

Nicholas Mather

Director

5. Definitions and glossary

Terms and abbreviations used in this Prospectus have the following meaning:

2D Seismic Survey	A 2D Seismic Survey of the Licence
Armour Energy Uganda or Armour Uganda	Armour Energy (Uganda) – SMC Ltd (registration number 800200007008745), a company incorporated in the Republic of Uganda pursuant to section 18 (3) of the Companies Act 2012
ASIC	Australian Securities and Investments Commission
Associates	Has the meaning given to that term in the Corporations Act
ASX	ASX Limited and the Australian Securities Exchange
ASX Listing Rules or Listing Rules	The official listing rules of the ASX
ASX Settlement	ASX Settlement Pty Ltd
Austraclear	Austraclear Ltd (ABN 94 002 060 773) which operates a clearing and settlement system through which the Secured Amortising Notes are traded
Beneficial Holder	A person with the ultimate beneficial interest in a Secured Amortising Note
Business Day	Has the same meaning as in the ASX Listing Rules
Closing Date	the date on which the Offer closes, being 30 June 2022, or such other date determined by the Board
Company or Armour or AJQ	Armour Energy Limited ACN 141 198 414
Company Website	The website available at: www.armourenergy.com.au
Conditions	The terms and conditions of the Secured Amortising Notes
Constitution	The Constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Deed of Indemnity and Guarantee	<p>The deed of indemnity and guarantee dated 18 December 2019, which is provided by DGR Global in favour of the Company and:</p> <p>(a) which indemnifies the Company against:</p> <p>A. all costs associated with complying with the obligations under the Ugandan Licence; and</p>

	<p>B. any claim, demand, debt, action, proceeding, cost, charge, expense, damage loss or other liability related to the obligations under the Ugandan Licence,</p> <p>in each case for up to a maximum of 83.18% of the Company's liability, until such time as the Ugandan Government cancels or returns the Parent Company Guarantee to the Company; and</p> <p>(b) pursuant to which DGR Global guarantees to and indemnifies to the Company the due, punctual and complete performance by Armour Uganda of all of its obligations under the Ugandan Licence following the transfer to it of the Ugandan Licence, up to a maximum of 83.18% of the Company's liability under the Parent Company Guarantee</p>
DGR Global	DGR Global Limited ACN 052 354 837
Directors or Board	The Board of directors of the Company from time to time
Existing Options	All existing options to subscribe for Shares currently on issue as at the date of this Prospectus other than Listed Options
Group	The Company and each of its wholly owned subsidiaries
Guarantee	Has the meaning given to that term in the Conditions
Guarantor	<p>(a) Armour Energy (Surat Basin) Pty Limited ABN 61 607 504 905;</p> <p>(b) Ripple Resources Pty Ltd ABN 83 127 220 768; and</p> <p>(c) Armour Energy (Victoria) Pty Ltd ACN 167 298 240</p>
Licence or Tenement or Ugandan Licence	Exploration Licence No. 1/2017 (Kanywataba Block) issued by the Ugandan Government to the Issuer, which the Ugandan Government announced was renewed for a further two years following the expiry of its initial term on 13 September 2019, and the PSA
Listed Option	Means an Option with the terms and conditions set out in section 4.4 and in Schedule 1
Minister	Minister of Energy and Mineral Development of the Ugandan Government
Noteholders	Those persons whose names are entered on the register of Noteholders as the holder of Notes (being Austraclear as at the date of this Prospectus) or the Beneficial Holder(s) of the Notes, as the context requires or permits
Offer	The Offer pursuant to this Prospectus
Official List	The official list of entities that ASX has admitted and not removed
Official Quotation	Quotation on the Official List

Option Holders	The holders of Options
Options	Options to subscribe for Shares
Outstanding Principal Amount	Has the meaning given to that term in the Conditions
Parent Company Guarantee	The parent company guarantee dated on or about 11 January 2019 and provided by the Company to the Ugandan Government as represented by the Ministry of Energy and Mineral Development, which guarantees the performance by Armour Uganda of its obligations under the Licence
Placement	Has the meaning given to that term in section 1.2
Placement Options	Has the meaning given to that term in section 1.2
Placement Shares	Has the meaning given to that term in section 1.2
Prospectus	This Prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with the ASIC from time to time and any electronic copy of this prospectus and supplementary prospectus
PSA	A production sharing agreement between the Company and the Ugandan Government dated on or about 14 September 2017, which sets out the terms on which Exploration Licence No. 1/2017 (Kanywataba Block) is issued
Relinquishment	A renewal condition for the Licence which requires the relinquishment of some of the blocks the subject of the Ugandan Licence following the results of the 2D Seismic Survey
Secured Amortising Notes or Notes	The secured amortising notes issued pursuant to an information memorandum dated on or about 29 March 2019.
Securities	Has the same meaning as in section 92 of the <i>Corporations Act</i>
Security	<p>The Notes are secured by the following securities granted in favour of the Security Trustee:</p> <p>(a) a general security deed over all of Armour's and each of Guarantor present and after-acquired property (including any shares in each wholly owned subsidiary incorporated in Australia other than Armour Energy International Pty Ltd ACN 622 043 654; and</p> <p>(b) a real property mortgage over the properties located at:</p> <p>A. 2943 Kincora Road, Oberina, Queensland, 4417 (being the land described in Lot 1 in Registered Plan 186132 and contained in Title Reference 16568099);</p> <p>B. Lot 2/RP201473 Eulorel Road, Ballaroo, Queensland, 4455 (being the land described in Lot 2 in Registered Plan 201473 and contained in Title Reference 16812024); and</p>

Security Trustee	P.T. Limited ABN 67 004 454 666
Securityholder	The holder of Securities in the Company from time to time
Shares	The ordinary shares on issue in the Company from time to time
Shareholders	The holders of Shares from time to time
TJ/d	Terajoules per day
Ugandan Conditional Contingent Licence Liability	An amount not exceeding US\$7,500,000, for which the licensee of the Licence may become liable to the Ugandan Government pursuant to the terms of the Licence
Ugandan Government	The Government of the Republic of Uganda

Appendix A - (ASX Announcements)

Date	Title of Announcement
06/01/2021	Execution of Sale and Purchase Agreement with Santos
08/01/2021	Appendix 2A
11/01/2021	Cleansing Statement
27/01/2021	2020 Surat Work Program Update
29/01/2021	Quarterly Activities Report
29/01/2021	Quarterly Cashflow Report
04/02/2021	Completion of Sale & Purchase Agreement with Santos
25/02/2021	Retention Licence Applications Lodged in Northern Territory
03/03/2021	Proposed Demerger of Northern Basin Oil & Gas Business
03/03/2021	Change of Director's Interest Notice
09/03/2021	Updated Corporate Presentation
11/03/2021	Reduction in Tribeca Facility
12/03/2021	Execution of Agreement for Sale of Ripple Resources
12/03/2021	DGR: Auburn Agreement for Acquisition of Ripple Resources
15/03/2021	Half Yearly Report and Accounts
15/03/2021	ASX Small Mid Cap Conference Presentation
16/03/2021	Trading Halt
18/03/2021	Successful \$11.5 million Capital Raising
18/03/2021	Investor Presentation
18/03/2021	Proposed issue of Securities - AJQ
23/03/2021	Proposed Amendments to Secured Amortising Notes
23/03/2021	Proposed Amendments to Notes (With Notice Attached)
24/03/2021	Appendix 2A (Shares)

24/03/2021	Appendix 2A (Options)
24/03/2021	Cleansing Statement
24/03/2021	Update - Proposed issue of Securities - AJQ
25/03/2021	Change in substantial holding from DGR
29/03/2021	Expiry of ESOP Options
31/03/2021	Noteholders Approve Amendments to Secured Amortising Notes
01/04/2021	Appendix 2A
01/04/2021	Cleansing Statement
27/04/2021	Northern Territory Resource Update
29/04/2021	Quarterly Cashflow Report
29/04/2021	Quarterly Activities Report
30/04/2021	Minor Corrections to Quarterly Activities Reports
07/05/2021	Notice of General Meeting
10/05/2021	DGR: Auburn Resources Completes Acq of Ripple Resources
10/05/2021	Completion of Sale of Ripple Resources
11/05/2021	Northern Territory Work Program Update
13/05/2021	Letter to Shareholders (Voting at General Meeting)
03/06/2021	Change in substantial holding for LKO
08/06/2021	Appointment of Further Management Team Executives
11/06/2021	Results of General Meeting
15/06/2021	PESA Conference Presentation
07/07/2021	Application for quotation of securities - AJQ
07/07/2021	Cleansing Statement
09/07/2021	Application for quotation of securities - AJQ
09/07/2021	Cleansing Statement

09/07/2021	Change of Director's Interest Notice (Bizzell)
09/07/2021	Change of Director's Interest Notice (Mather)
09/07/2021	Change in substantial holding from DGR
14/07/2021	Proposed Changes to Secured Amortising Notes
23/07/2021	Noteholder Amendments Clear Path for McArthur IPO
23/07/2021	Change in substantial holding
28/07/2021	Completion of Northern Territory Airborne Survey
30/07/2021	Quarterly Activities/Appendix 5B Cash Flow Report
04/08/2021	McArthur Board and Management
05/08/2021	Transfer of NT Permits Approved
09/08/2021	Notification of cessation of securities - AJQ
09/08/2021	Armour Uganda Oil Project Update
09/08/2021	DGR: Armour Uganda Oil Project Update
09/08/2021	McArthur Oil & Gas Demerger Update
09/08/2021	Application for quotation of securities - AJQ
09/08/2021	Application for quotation of securities - AJQ
10/08/2021	Cleansing Statement
12/08/2021	Application for quotation of securities - AJQ
12/08/2021	Cleansing Statement
02/09/2021	Appointment of CEO to Lead McArthur Oil & Gas
17/09/2021	Date of AGM and Closing Date for Director Nominations
23/09/2021	Work Program Update - Warroon 1 Well Re-stimulation
23/09/2021	Trading Halt
23/09/2021	Proposed issue of securities - AJQ
27/09/2021	Successful Completion of Equity Raising

27/09/2021	Update - Proposed issue of securities - AJQ
30/09/2021	Annual Report to Shareholders
30/09/2021	Appendix4G and 2021 Corporate Governance Statement
30/09/2021	Capital Raising Update
30/09/2021	Application for quotation of securities - AJQ
30/09/2021	Cleansing Statement
05/10/2021	Resignation of Company Secretary
06/10/2021	Application for quotation of securities - AJQ
06/10/2021	Cleansing Statement
26/10/2021	Notice of Annual General Meeting/Letter to Shareholders
27/10/2021	Appointment of Morgans as Lead Manager of McArthur IPO
27/10/2021	McArthur Oil & Gas SEAAOC Presentation
28/10/2021	Quarterly Activities/Appendix 5B Cash Flow Report
28/10/2021	Resignation of CFO
29/10/2021	Change in substantial holding (Cozzi)
01/11/2021	SHE: Maiden Australian Oil and Gas Investment
01/11/2021	Myall Creek 2 Well Stimulation
02/11/2021	Jobkeeper Payments Notice
08/11/2021	Application for quotation of securities - AJQ
08/11/2021	Cleansing Statement
22/11/2021	GGX:New Venture - Farmin Oil & Gas Assets in Surat Basin QLD
22/11/2021	Gas2Grid Farmin Arrangements at Surat
23/11/2021	Surat Work Program Update
25/11/2021	Annual General Meeting Presentation
25/11/2021	Results of Meeting

20/12/2021	Appointment of CFO
24/12/2021	Application for quotation of securities - AJQ
24/12/2021	Cleansing Statement
10/01/2022	Surat Work Programme Update
13/01/2022	Company Secretary Appointment
17/01/2022	Application for quotation of securities - AJQ
18/01/2022	Cleansing Statement
19/01/2022	Surat Work Program Update
30/01/2022	Quarterly Activities/Appendix 5B Cash Flow Report
04/02/2022	Surat Work Program Update
16/03/2022	Half Yearly Report and Accounts
30/03/2022	GGX: Farmin Negotiations Cease, Surat Basin Assets QLD
31/03/2022	Surat Farmin Negotiations with Gas2Grid Cease
31/03/2022	Non-Executive Director Resignation
04/04/2022	Chief Executive Officer Resignation
04/04/2022	Surat Work Programme Operational Update
04/04/2022	Final Director's Interest Notice
04/04/2022	Results of General Meeting
11/04/2022	Proposed Amendments to Secured Amortising Notes
14/04/2022	Application for quotation of securities – AJQ
14/04/2022	Cleansing Notice

Corporate Directory

Directors and Company Secretary	Legal Advisers to the Offer
<p>Mr Nicholas Mather (Executive Chairman)</p> <p>Mr Stephen Bizzell (Non-Executive Director)</p> <p>Mr Eytan Uliel (Non-Executive Director)</p> <p>Ms Natalie Climo (Company Secretary)</p>	<p>HopgoodGanim Lawyers</p> <p>Level 8, Waterfront Place</p> <p>1 Eagle Street</p> <p>Brisbane QLD 4000</p> <p>Tel: + 61 7 3024 0000</p> <p>www.hopgoodganim.com.au</p>
Administration and Registered Office	
<p>Armour Energy Limited</p> <p>Level 27, 111 Eagle Street</p> <p>Brisbane QLD 4000</p> <p>Tel: +61 7 3303 0680</p> <p>www.armourenergy.com.au</p>	

Schedule 1 – Listed Option Terms

The Listed Options are issued on and subject to the following terms:

1. The Listed Options shall be issued for no cash consideration.
2. The exercise price of each Listed Option is \$0.05 (**Exercise Price**).
3. The Listed Options will expire on 29 February 2024 (**Expiry Date**) unless earlier exercised.
4. The Listed Options will be listed on the ASX.
5. The Listed Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise (**Exercise Notice**) together with payment for the Exercise Price per Listed Option to the Company at any time on or after the date of issue of the Listed Options and on or before the Expiry Date. Payment may be made as directed by the Company from time to time, which may include by cheque, electronic funds transfer or other methods.
6. The number of Listed Options that may be exercised at one time must be not less than 25,000, unless the holder of the Listed Option holds less than 25,000 Offer Options in which case all Options must be exercised at one time.
7. Within 20 Business Days after the valid exercise of the Listed Options and payment of the Exercise Price, the Company will:
 - (a) allot and issue the number of fully paid ordinary Shares ranking *pari passu* with the then issued Shares as required under these terms and conditions in respect of the number of Listed Options specified in the Exercise Notice and for which cleared funds have been received by the Company; and
 - (b) if admitted to the official list of ASX at the time, apply for Official Quotation on ASX of Shares issued pursuant to the exercise of the Listed Options.
8. Listed 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 and only to the extent required pursuant to the Listing Rules, provide Listed 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 Listed Options, in accordance with the requirements of the Listing Rules.
9. Listed Option Holders do not participate in any dividends unless the Listed Options are exercised, and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
10. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of Listed Options, the Exercise Price of the Offer Options, or both will be reorganised (as appropriate) in a manner consistent with the Listing Rules as applicable at the time of reorganisation, but with the intention that such reorganisation will not result in any benefits being conferred on the Listed Options Holders are not conferred on Shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reorganisation of capital, in all other respects the terms for the exercise of the Listed Options will remain unchanged.

11. If there is a pro rata issue (except a bonus issue), the Exercise Price of the Listed Options may be reduced according to the following formula:

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

Where:

- O^n = the new exercise price of the Listed Option;
- O = the old exercise price of the Listed Option;
- E = the number of underlying securities into which one Listed Option is exercisable;
- P = the volume weighted average market price per security of the underlying securities during the 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 = dividend due but not yet paid on the 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.
12. If there is a bonus issue to the Shareholders of the Company, the number of Shares over which the Listed Option is exercisable may be increased by the number of Shares which the Listed Option Holder would have received if the Listed Option had been exercised before the record date for the bonus issue.
13. The terms of the Listed Options shall only be changed if Shareholders (whose votes are not to be disregarded) of in the Company approve of such a change. However, unless all necessary waivers of the Listing Rules are obtained, the terms of the Listed Options shall not be changed to reduce the Exercise Price, increase the number of Listed Options or change any period for exercise of the Listed Options.
14. The Company intends to apply for listing of the Listed Options on the ASX.