



Armour Energy Limited

21 November 2016

Annual General Meeting Materials

The Directors of Armour Energy Limited (ASX: AJQ, Armour, the Company) advise that the Company's registry Link Market Services has confirmed that the attached materials for the Company's AGM were dispatched early last week.

Shareholders can contact the Company Secretary to obtain another copy of the materials or proxy form.

The AGM is being convened on Level 7 of 1 Eagle Street (Waterfront Place) at 11.00am on Wednesday 14th December 2016.

A handwritten signature in blue ink, appearing to read "K. Schlobohm", written over a light blue horizontal line.

On behalf of the board
Karl Schlobohm
Company Secretary

For further information contact:

Nick Mather – Executive Chairman
07 – 3303 0680

Karl Schlobohm – Company Secretary
07-3303 0661

Notice of Annual General Meeting and Explanatory Memorandum

Armour Energy Limited

Date of Meeting: 14 December 2016

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

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

Notice is hereby given that the 2016 Annual 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 14 December 2016, at 11:00am (Brisbane time).

Agenda

ORDINARY BUSINESS

Annual Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2016.

See Explanatory Statement below for further information.

Resolution 1 - Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution:

"That the Remuneration Report for the year ended 30 June 2016 (as set out in the Directors' Report) is adopted."

VOTING RESTRICTION PURSUANT TO SECTION 250R(4) OF THE CORPORATIONS ACT

Terms used in this Notice of Meeting are defined in the "Interpretation" section of the accompanying Explanatory Memorandum.

The vote on Resolution 1 is advisory only and does not bind the Directors of the Company.

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- a member of the Key Management Personnel ("KMP") details of whose remuneration are included in the Remuneration Report; or
- a Closely Related Party of a KMP.

However, the above persons **may** cast a vote on Resolution 1 if:

- the person does so as a proxy appointed in writing;
- the vote is not cast on behalf of a member of the KMP details of whose remuneration are included in the Remuneration Report or a Closely Related Party of a KMP; and
- either:
 - the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
 - the voter is the Chairman of the meeting and the appointment of the Chairman as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP for the Company or, if the Company is part of a consolidated entity, for the entity.

VOTING INTENTION OF CHAIRMAN

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 1, subject to compliance with the Corporations Act.

See Explanatory Memorandum for further information.

Resolution 2 - Re-Election of William (Bill) Stubbs as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That Bill Stubbs, who retires by rotation in accordance with Article 38 of the Company's Constitution and, being eligible and offering himself for re-election, be re-elected as a Director of the Company."

See Explanatory Memorandum for further information.

Resolution 3 - Approval of Employee Share Option Plan

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

"That for the purpose Exception 9(b) of Listing Rule 7.2 of the ASX Listing Rules and for all other purposes, the Company be authorised to issue securities under Armour Energy Ltd Employee Share Option Plan (ESOP) as an exception to Listing Rule 7.1 of the ASX Listing Rules."

VOTING EXCLUSION STATEMENT

- (a) The Company will disregard any votes cast on this Resolution by:
- a Director of the entity (except one who is ineligible to participate in any employee incentive scheme in relation to the entity); and
 - an associate of that person (or those persons).
- (b) 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.

PROXY APPOINTMENT RESTRICTION

In accordance with section 250BD of the Corporations Act, the Company will disregard any votes cast on this Resolution by a member of the KMP or their Closely Related Parties who has been **appointed as a proxy** unless:

- the appointed proxy votes for a person who is permitted to vote and in accordance with a direction on the proxy form (directed proxy); or
- the appointed proxy is the Chairman and the appointment of the Chairman as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP

See Explanatory Memorandum for further information.

Resolution 4 - Grant of Options to Nicholas Mather

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 Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue **1,500,000** options to subscribe for Shares to Nicholas Mather, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

Resolution 5 - Grant of Options to Stephen Bizzell

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 Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue **1,500,000** options to subscribe for Shares to Stephen Bizzell, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

Resolution 6 - Grant of Options to Roland Sleeman

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 Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue **750,000** options to subscribe for Shares to Roland Sleeman, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

Resolution 7 - Grant of Options to William Stubbs

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 Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue **750,000** options to subscribe for Shares to William Stubbs, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

VOTING EXCLUSION STATEMENT FOR RESOLUTION 4 TO 7

A detailed summary of the proposed terms of the Options is contained within the Explanatory Memorandum.

Voting Exclusion Statement

The Company will disregard any votes cast on:

- **Resolution 4** by:
 - Mr Mather; and
 - any associate of Mr Mather;
- **Resolution 5** by:
 - Mr Bizzell; and
 - any associate of Mr Bizzell;
- **Resolution 6** by:
 - Mr Sleeman; and
 - any associate of Mr Sleeman;
- **Resolution 7** by:
 - Mr Stubbs; and
 - any associate of Mr Stubbs.

However, the Company need not disregard a vote if, in relation to Resolution 4 – Resolution 7 (inclusive):

- 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.

PROXY APPOINTMENT RESTRICTION FOR RESOLUTIONS 4 TO 7:

In accordance with section 250BD of the Corporations Act, the Company will disregard any votes cast on Resolutions 4 – Resolution 7 (inclusive) by a member of the KMP or their Closely Related Parties who has been appointed as a proxy unless:

- the appointed proxy votes for a person who is permitted to vote and in accordance with a direction on the proxy form (directed proxy); or
- the appointed proxy is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

See Explanatory Memorandum for further information.

Resolution 8 – 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 Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue **750,000** options to subscribe for Shares to Matthew Beach (to be 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:

- Mr Beach; and
- any associate of Mr 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.

Resolution 9 – 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 9,090,909 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.”

NOTES:

- The rights attaching to the Convertible Notes are as outlined in the Explanatory Memorandum.
- The funds raised by the issue will be used by the Company to:
 - progress the Company’s ongoing business plan to restart production at the Kincora 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 10 – 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 9,090,909 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.”

NOTES:

- The rights attaching to the Convertible Notes are as outlined in the Explanatory Memorandum.
- The funds raised by the issue will be used by the Company to:
 - progress the Company’s ongoing business plan to restart production at the Kincora 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:

- 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 11 – Approval for the Issue of 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 85,454,545 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.”

NOTES:

- The rights attaching to the Convertible Notes are as outlined in Schedule 2 to the Explanatory Memorandum.
- The funds raised by the issue will be used by the Company to:
 - progress the Company’s ongoing business plan to restart production at the Kincora Project;
 - pay other corporate and offer costs, creditors 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 12 – Pre-approval to Issue up to 191,818,182 Convertible Notes

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

“That for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue of up to 191,818,182 Convertible Notes at an issue price of \$0.11 per note, and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

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 13 – Approve the issue, or Ratify the Issue of Convertible Notes to MH Carnegie & Co Pty Ltd

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

“That:

- (a) subject to (b), for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue of 22,727,273 Convertible Notes to funds managed or parties nominated by MH Carnegie & Co Pty Ltd at an issue price of \$0.11 per note (**MHC Note Issue**); and
- (b) in the event that the MHC Note Issue has taken place prior to the meeting, for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the issue of 22,727,273 Convertible Notes to funds managed or parties nominated by MH Carnegie & Co Pty Ltd at an issue price of \$0.11 per note,

and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

VOTING EXCLUSION STATEMENT

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

- MH Carnegie & Co Pty Ltd;
- Recipient parties or intended recipient parties; and
- any associates of MH Carnegie & Co Pty Ltd or any actual or intended recipient.

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 14 – Approval for the Allotment of Options to Bizzell Capital Partners Pty Ltd

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with Section 208(1) of the Corporations Act 2001 (Cth) and for the purposes of Listing Rule 10.11 of the Listing Rules, and for all other purposes, shareholders approve the issue and allotment of 5,000,000 options (exercisable at \$0.20, expiring on 30 August 2018) to Bizzell Capital Partners Pty Ltd, on the terms summarised in the Explanatory Memorandum, and pursuant to a capital raising mandate dated 23 August 2016, under which the issue of options is subject to obtaining Shareholder approval.”

VOTING EXCLUSION STATEMENT

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

- Bizzell Capital Partners; and
- any associate of Bizzell Capital Partners, including 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.

SPECIAL BUSINESS

Resolution 15 - Approval to Issue an Additional 10% of the Issued Capital of the Company over a 12 Month Period Pursuant to Listing Rule 7.1A

To consider and, if thought fit, pass the following Resolution, as a Special Resolution, of the Company:

*“That, pursuant to and in accordance with Listing Rule 7.1A, and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of the Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions described in the Explanatory Memorandum (**Placement Securities**).”*

VOTING EXCLUSION STATEMENT FOR THIS SPECIAL RESOLUTION

The Company will disregard any votes cast on this Special Resolution by a person and any associates of that person who:

- may participate in the issue of the Placement Securities; and
- might obtain a benefit, except a benefit solely in their capacity as a holder of Shares if the resolution is passed.

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 Annual General 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.

IMPORTANT NOTE

The proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances, for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

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
11 November 2016

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 Annual General Meeting to be held at HopgoodGanim, Level 7, Waterfront Place 1 Eagle Street, Brisbane Qld 4000 on 14 December 2016 at 11:00 am (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

Consider the Company’s Annual Report

The Company’s Annual Report comprising the Directors’ Report and Auditors’ Report, Directors’ Declaration, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2016. The Company’s Annual Report for the financial year ended 30 June 2016 was released on 30 September 2016 and is available on the Company’s website: www.armourenergy.com.au.

No voting is required for this item.

Resolution 1 - Remuneration Report

The Board has submitted its Remuneration Report (included in the 2016 Annual Report) to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution in accordance with section 250R of the Corporations Act.

The Remuneration Report is set out in the Directors’ Report section of the 2016 Annual Report. The Report, amongst other things:

- explains the Board’s policy for determining the nature and amount of remuneration of Key Management Personnel of the Company;
- explains the relationship between the Board’s remuneration policy and the Company’s performance;
- sets out remuneration details for each member of the Company’s Key Management Personnel including details of performance related remuneration and options granted as part of remuneration; and
- details and explanations of any performance conditions applicable to the remuneration of Key Management Personnel of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution is advisory only and does not bind the Directors of the Company.

There are restrictions on members of the Key Management Personnel and their Closely Related Parties and their proxies voting on Resolution 1, details of which are set out in the Voting Restriction Statement included in Resolution 1 of the Notice of Meeting.

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 1 subject to compliance with the Corporations Act.

Resolution 2 - Re-Election of William (Bill) Stubbs as a Director

Mr Stubbs was appointed on 26 November 2009. In accordance with the Company's Constitution, Mr Stubbs will retire at the Annual General Meeting, and will stand for re-election.

Mr Stubbs is a lawyer of 35 years experience and has previously worked with DGR Global CEO Nicholas Mather on the boards of numerous emerging globally significant resource companies. He is the co-founder of the legal firm Stubbs Barbeler, and has practiced extensively in the area of Commercial Law including Stock Exchange listings and all areas of mining law.

Mr Stubbs has held the position of director of various public companies over the past 25 years in the mineral exploration and biotech fields. He is also the former Chairman of Alchemia Limited, and Bemax Resources NL which discovered and developed extensive mineral sands resources in the Murray Basin. He was the founding Chairman of Arrow Energy Ltd which originally pioneered coal seam gas development in Queensland's Bowen and Surat Basins from 1998, and is now an international coal seam gas company. He is a former Non-Executive Director of Coalbank Limited. Currently Mr Stubbs serves as a Non-Executive Chairman of DGR Global Limited and as a Non-Executive Director of Lakes Oil NL.

The Directors (with Mr Stubbs abstaining) recommend that you vote in favour of this Ordinary Resolution.

Resolution 3 - Approval of Employee Share Option Plan

Background

Pursuant to Resolution 3 the Company is seeking Shareholder approval for the potential future issue of securities under the Company's Employee Share Option Plan (**ESOP**) as an exception to Listing Rule 7.1.

The intention of the Board of the Company adopts the ESOP, as a means of rewarding its key employees. A summary of the terms of the ESOP are set out in Schedule 1 of this Explanatory Memorandum.

Listing Rule 7.1

Subject to certain exemptions (none of which are relevant here) Listing Rule 7.1 restricts a listed company from issuing or agreeing to issue equity securities (including shares or options) in any 12 month period which amounts to more than 15% of the Company's ordinary securities on issue without shareholder approval.

As a result, any issue of securities by the Company to eligible employees under the ESOP would reduce the Company's 15% capacity to issue Shares under Listing Rule 7.1.

Exception 9 of Listing Rule 7.2 however, allows a company to issue securities without specific shareholder approval and without reducing the 15% capacity under Listing Rule 7.1 where shareholders of a company have approved the issue of securities under an ESOP as an exception to Listing Rule 7.1 within three (3) years prior to the issue of the securities. Resolution 4 is being put to the Shareholders for this purpose and will allow the Company to utilise Exception 9 to Listing Rule 7.2 for three (3) years from the date of the Resolution being passed.

Information for Shareholders

In accordance with Exception 9 of Listing Rule 7.2 the Company advises as follows:

- A summary of the terms of the ESOP are set out in Schedule 1;
- There are total of 18,230,000 unlisted options currently on issue to eligible employees pursuant to the ESOP (and issued since the ESOP was last approved by shareholders) including the following:
 - 5,180,000 unlisted options vesting immediately consisting of:
 - 2,330,000 unlisted options exercisable price at \$0.26, expiring to 24 February 2017;
 - 1,900,000 unlisted options exercisable price at \$0.20, expiring to 6 February 2017; and
 - 950,000 unlisted options exercisable price at \$0.30, expiring to 6 February 2018,
 - 13,050,000 unlisted options issued in three tranches, which one third of each tranche of options are subject to vest over a three year period.
 - 4,350,000 unlisted options exercisable price at \$0.20, expiring to 29 March 2021;
 - 4,350,000 unlisted options exercisable price at \$0.35, expiring to 29 March 2021; and
 - 4,350,000 unlisted options exercisable price at \$0.50, expiring to 29 March 2021,

The Directors recommend that you vote in favour of this Ordinary Resolution.

Resolution 4, 5, 6, 7 and 8– Approval for Grant of Options to Directors

Introduction

The Directors have resolved to refer to members for approval the proposed grant of 1,500,000 Options each to Messrs Mather and Bizzell (or their respective nominees) each a Director of the Company, at the various prices and expiry dates:

- 500,000 unlisted options exercisable at \$0.22, expiring 14 December 2019
- 500,000 unlisted options exercisable at \$0.27, expiring 14 December 2019
- 500,000 unlisted options exercisable at \$0.32, expiring 14 December 2019

And 750,000 Options to each of Messrs Sleeman, Stubbs, each a Director of the Company, and Matthew Beach, an incoming director to be appointed (or their respective nominees), at the various 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 Director Options will vest immediately on the date of issue. The terms of the Director Options are set out in more detail below.

Approval for the issue of the Director Options is sought in accordance with the provisions of Listing Rule 10.11 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. In order for the Director Options to be granted to a Director, the requirements of Chapter 2E of the Corporations Act need to be observed.

Options Terms

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

- The securities to be issued to each Director are options to subscribe for fully paid Shares.
- The Director Options are to be issued for no consideration.

- The exercise prices for each Director’s Option for Messrs Mather and Bizzell are as follows:
 - 500,000 unlisted options exercisable at \$0.22, expiring 14 December 2019
 - 500,000 unlisted options exercisable at \$0.27, expiring 14 December 2019
 - 500,000 unlisted options exercisable at \$0.32, expiring 14 December 2019

The exercise prices for each Director’s Option for Messrs Sleeman, Stubbs, and 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 Director Options will vest on the date of issue.
 - The Director Options will expire on 14 December 2019.
 - Shares issued on exercise of the Director Options will rank equally with all existing Shares from the date of issue.
 - The Director 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 Director Option multiplied by the number of Shares in respect of which Director Options are being exercised.
 - The Director Options shall be unlisted but shall be transferable.
 - Upon allotment of Shares pursuant to the exercise of Director 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 Director 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

- O¹ = 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 Director 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 Director Options shall not be changed to reduce the Exercise Price, increase the number of Director Options or change any period for exercise of the Director Options.

Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met. A “related party” for the purposes of the Corporations Act is defined widely and includes a director of the public company.

A “financial benefit” for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

The proposed Resolutions 4 to 8, if passed, will confer financial benefits to the Recipients and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to Shareholders.

(a) The related parties to whom Resolutions 4, 5, 6, 7 and 8 would permit the financial benefit to be given

Each of Mr Mather, Mr Bizzell, Mr Sleeman, Mr Stubbs, (or their respective nominees), being existing Directors of the Company, and Matthew Beach (to be appointed).

(b) The nature of the financial benefit

The nature of the proposed financial benefit to be given is:

- the grant of 1,500,000 Director Options to Mr Mather as referred to in Resolution 4;
- the grant of 1,500,000 Director Options to Mr Bizzell as referred to in Resolution 5;
- the grant of 750,000 Director Options to Mr Sleeman as referred to in Resolution 6;
- the grant of 750,000 Director Options to Mr Stubbs as referred to in Resolution 7;
- the grant of 750,000 Director Options to Mr Matthew Beach (to be appointed) as referred to in Resolution 8;
- the Director Options shall be issued for no cash consideration; and

- the Director Options shall be exercisable into fully paid Shares at various prices and dates.

	Unlisted Options @ \$0.22 expiry 14/12/2019	Unlisted Options @ \$0.27 expiry 14/12/2019	Unlisted Options @ \$0.32 expiry 14/12/2019	Total
Resolution 4 Mr Mather	500,000	500,000	500,000	1,500,000
Resolution 5 Mr Bizzell	500,000	500,000	500,000	1,500,000
Resolution 6 Mr Sleeman	250,000	250,000	250,000	750,000
Resolution 7 Mr Stubbs	250,000	250,000	250,000	750,000
Resolution 8 Mr Beach	250,000	250,000	250,000	750,000
Total	1,750,000	1,750,000	1,750,000	5,250,000

(c) Directors' Recommendation

With respect to Resolution 4, Messrs Bizzell, Sleeman and Stubbs recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- the grant of the Director Options as proposed to Mr Mather will provide him with reward and incentive for future services he will provide to the Company to further the progress the Company;
- the Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, 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 (eg 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 Director Options to a third party.

As Mr Mather is interested in the outcome of Resolution 4, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

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

- the grant of the Director Options as proposed to Mr Bizzell will provide him with reward and incentive for future services he will provide to the Company to further the progress the Company;
- the Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, Mr Mather, Mr Sleeman and Mr Stubbs considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg 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 Director Options to a third party.

As Mr Bizzell is interested in the outcome of Resolution 5, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution 6, Mr Mather, Mr Bizzell and Mr Stubbs recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (i) the grant of the Director Options as proposed to Mr Sleeman will provide him with reward and incentive for future services he will provide to the Company to further the progress the Company;
- (ii) the Director 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 and Mr Stubbs considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg 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 Director Options to a third party.

As Mr Sleeman is interested in the outcome of Resolution 6, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution 7, Messrs Mather, Bizzell and Sleeman recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (i) the grant of the Director Options as proposed to Mr Stubbs will provide him with reward and incentive for future services he will provide to the Company to further the progress the Company;
- (ii) the Director 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 considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg 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 Director Options to a third party.

As Mr Stubbs is interested in the outcome of Resolution 7, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution 8, 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 Director 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 Director 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 (eg 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 Director Options to a third party.

(d) Directors' Interest and other remuneration

Mr Mather

Mr Mather has a material personal interest in the outcome of Resolution 4, as it is proposed that Director Options be granted to him (or his nominee) as set out in Resolution 4.

Excluding the Director Options, Mr Mather (and entities associated with him) holds 3,126,831 Shares in the Company. Please refer to the table below which indicates the holdings of Mr Mather (and entities associated with him).

Other than the Director Options to be issued to Mr Mather pursuant to Resolution 4, Mr Mather shall receive director's remuneration of \$210,000 per annum (total cost to the Company) from the Company for his services as an Executive Chairman.

Mr Bizzell

Mr Bizzell has a material personal interest in the outcome of Resolution 5, as it is proposed that Director Options be granted to him (or his nominee) as set out in Resolution 5.

Excluding the Director Options, Mr Bizzell (and entities associated with him) holds 1,131,578 Shares in the Company. Please refer to the table below which indicates the holdings of Mr Bizzell (and entities associated with him).

Other than the Director Options to be issued to Mr Bizzell pursuant to Resolution 5, Mr Bizzell shall receive director's remuneration of \$50,000 per annum (total cost to the Company) from the Company for his services as Non-Executive Director.

Mr Sleeman

Mr Sleeman has a material personal interest in the outcome of Resolution 6, as it is proposed that Director Options be granted to him (or his nominee) as set out in Resolution 6.

Excluding the Director Options, Mr Sleeman (and entities associated with him) holds 60,000 Shares in the Company. Please refer to the table below which indicates the holdings of Mr Sleeman (and entities associated with him).

Other than the Director Options to be issued to Mr Sleeman pursuant to Resolution 6, Mr Sleeman shall receive director's remuneration of \$50,000 per annum (total cost to the Company) from the Company for his services as an Non-Executive Director.

Mr Stubbs

Mr Stubbs has a material personal interest in the outcome of Resolution 7, as it is proposed that Director Options be granted to him (or his nominee) as set out in Resolution 7.

Excluding the Director Options, Mr Stubbs (and entities associated with him) holds 354,158 Shares in the Company. Please refer to the table below which indicates the holdings of Mr Stubbs (and entities associated with him).

Other than the Director Options to be issued to Mr Stubbs pursuant to Resolution 7, Mr Stubbs shall receive director's remuneration of \$50,000 per annum (total cost to the Company) from the Company for his services as an Non-Executive Director.

Mr Beach

Excluding the Director Options, Mr Beach will be entitled to receive Directors Fees of \$50,000 per annum following his appointment, in line with the remuneration paid to the existing Non-Executive Directors (Messrs Bizzell, Stubbs and Sleeman).

If all of the new Director Options granted are exercised by Mr Mather, Mr Bizzell, Mr Sleeman, Mr Stubbs and Mr Beach, the following will be the effect on their current holdings in the Company:

Director (including associated entities)	Current Share Holding	% of Total Share Capital	Share Capital Upon Exercise	% of Total Share Capital
Mr Mather	3,126,831	0.97%	4,626,831	1.41%
Mr Bizzell	1,131,578	0.35%	2,631,578	0.80%
Mr Sleeman	60,000	0.02%	810,000	0.25%
Mr Stubbs	354,158	0.11%	1,104,158	0.34%
Mr Beach	-	-	750,000	0.23%
All Other Holders	318,185,510	98.55%	318,185,510	96.97%
Total	322,858,077	100.00%	328,108,077	100.00%

*Assuming that **none** of the following current unlisted options (**Unlisted Options**) on issue are exercised or cancelled:

1. 4,350,000 employee options exercisable at \$0.20 each, expiring 29 March 2021;
2. 4,350,000 employees options exercisable at \$0.35 each, expiring 29 March 2021;
3. 4,350,000 employees options exercisable at \$0.50 each, expiring 29 March 2021;
4. 2,330,000 employees options exercisable at \$0.26 each, expiring 24 February 2017;
5. 1,900,000 employees options exercisable at \$0.20 each, expiring 06 February 2017;
6. 950,000 employees options exercisable at \$0.30 each, expiring 06 February 2018.

(e) Valuation

The Director Options are not currently quoted on the ASX and as such have no market value. The Director Options each grants the holder thereof a right to subscribe for one Share upon exercise of each Director Option and payment of the Exercise Price of the Director Option described above. Accordingly, the Director Options may have a present value at the date of their grant.

The Director Options may acquire future value dependent upon the extent to which the Shares exceed the Exercise Price of the Director Options during the term of the Director Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (ie readily capable of being liquidated), and so on.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has undertaken a valuation of the Director Options utilising the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company’s underlying Share price.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in the valuation applying the Black-Scholes Model was:

Option Allotments	Exercise Prices	Market Price*	Expiry Date	Volatility Measure	Risk-Free Interest Rate
Tranche 1	\$0.22	\$0.077	December 2019	121.417%	1.81%
Tranche 2	\$0.27	\$0.077	December 2019	121.417%	1.81%
Tranche 3	\$0.32	\$0.077	December 2019	121.417%	1.81%

*a market price of Shares of \$0.077 being the closing price of Shares on 3 November 2016 valuation, as a proxy for the market price at the future date of issue, being the date of the General Meeting to approve the issue;

Some relatively minor variables were included in the calculation to estimate the value of Director Option as “American style” options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices “European style” options (being exercisable only on this exercise date).

Based on the valuation, the Company has adopted indicative values for the Director Options of \$0.22, \$0.27 and \$0.32 each.

On that basis, the respective value of the Director Options to be issued pursuant to Resolutions 4, 5, 6, 7 and 8 are as follows:

- Mr Mather – \$59,213 (as referred to Resolution 4)
- Mr Bizzell – \$59,213 (as referred to Resolution 5)
- Mr Sleeman – \$29,606 (as referred to Resolution 6)
- Mr Stubbs – \$29,606 (as referred to Resolution 7)
- Mr Beach – \$29,606 (as referred to Resolution 8)

(f) Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors

There is no other information known to the Company or any of the Directors save and except as follows:

Market Price movements:

The option valuation noted above is based on a market price of the Shares at the time of the valuation dated 3 November 2016 of \$0.077.

There is a possibility that the market price of the Shares on the date of issue of the Director Options will be different to this and that the market price of the Shares will change up to the date of the General Meeting.

The effect on the valuation per option of movements in the market price of the Shares is set out below:

Market Price	Valuation per 0.22 option	Valuation per 0.27 option	Valuation per 0.32 option
\$0.21	\$0.1487	\$0.1423	\$0.1367
\$0.19	\$0.1317	\$0.1258	\$0.1206
\$0.16	\$0.1067	\$0.1015	\$0.0971
\$0.13	\$0.0824	\$0.0780	\$0.0743
\$0.10	\$0.0591	\$0.0556	\$0.0527

▪ **Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Director Options to Mr Mather, Mr Bizzell, Mr Sleeman, Mr Stubbs and Mr Beach (or their respective nominees) is the potentially diluted impact on the issued Share capital of the Company (in the event that the Director Options are exercised). Until exercised, the issue of the Director Options will not impact upon the number of Shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused by the issue of the Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled directors on appropriate incentive terms. It is also considered that the potential increase of value in the Director Options is dependent upon a concomitant increase in the value of the Company generally.

▪ **Trading History of the Shares**

As at 3 November 2016, the closing price of Shares on ASX was \$0.077.

Set out below is the trading history of the Shares over the past 12 months.

	Market Price 6 months prior to Notice of Meeting	Market Prices 12 months prior to Notice of Meeting
High	0.095 cents	0.17 cents
Low	0.052 cents	0.05 cents
VWAP	0.08 cents	0.09 cents

▪ **Taxation Consequences**

No stamp duty will be payable in respect of the grant of the Director Options. No GST will be payable by the Company in respect of the grant of the Director Options (or if it is then it will be recoverable as an input credit).

AASB 2 “Share Based Payments” requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of financial performance. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management’s assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

- **Dilutionary Effect**

The dilutionary effect on the Company and its shareholders is summarized in the table on Page 17 above.

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. Each of Mr Mather, Mr Bizzell, Mr Sleeman and Mr Stubbs, being a Director of the Company, is 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 Director Options to be issued Mr Mather, Mr Bizzell, Mr Sleeman, Mr Stubbs and Mr Beach is 5,250,000 Director Options, being:
 - 1,500,000 Director Options to Mr Mather or his associate;
 - 1,500,000 Director Options to Mr Bizzell or his associate;
 - 750,000 Director Options to Mr Sleeman or his associate;
 - 750,000 Director Options to Mr Stubbs or his associate.
 - 750,000 Director Options to Mr Beach (once appointed) or his associate.
- The Director 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 Director Options are being issued for nil consideration.
- No funds are being raised by the grant of the Director Options, but up to \$1,417,500 would be raised in the future via their exercise. The money raised would be used for:
 - progress of the Company's ongoing business plan to list its project based subsidiary companies;
 - progress of the identification and initial exploration of new projects; 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 4, 5, 6, 7 and 8.

Voting restrictions

There are restrictions on voting on Resolutions 4 - 8 (inclusive) by Directors and their associates and KMP and their Closely Related Parties, for additional details please refer to the Voting Exclusion Statement in relation to Resolutions 4 - 8 (inclusive) 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 Resolutions 4 – 8 (inclusive), subject to compliance with the Corporations Act.

Resolution 9 – Approval for the Issue of Convertible Notes to Nicholas Mather

Resolution 9 seeks the approval of shareholders for the issue of up to 9,090,909 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 2 to this Explanatory Memorandum.

The approval for Nicholas Mather (or his nominee) to subscribe for up to 9,090,909 Convertible Notes equates to a \$1 million investment to be made into Armour Energy on the basis of the issue price of \$0.11 per note. Of this amount, Nicholas Mather has agreed to subscribe for a minimum of 4,545,454 Convertible Notes (or \$500,000 worth of Convertible Notes). The remaining \$500,000 will either be invested in Convertible Notes, or may instead be invested in ordinary shares in the Company, as part of an entitlement offer for ordinary shares that the Company intends to undertake.

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. 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 as outlined in Schedule 2 to this Explanatory Memorandum. The terms and conditions are the same as those for the Convertible Notes issued to Carnegie and intended to be issued to other third parties that are not related parties of Armour Energy.

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 9. As such, the consent of ASIC has not been sought in relation to Resolution 9, but shareholder approval will be sought under LR 10.11.

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

Resolution 10 – Approval for the Issue of Convertible Notes to Stephen Bizzell

Resolution 10 seeks the approval of shareholders for the issue of up to 9,090,909 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 2 to this Explanatory Memorandum.

The approval for Stephen Bizzell (or his nominee) to subscribe for up to 9,090,909 Convertible Notes equates to a \$1 million investment to be made into Armour Energy on the basis of the issue price of \$0.11 per note. Of this amount, Stephen Bizzell has agreed to subscribe for a minimum of 4,545,454 Convertible Notes (or \$500,000 worth of Convertible Notes). The remaining \$500,000 will either be invested in Convertible Notes, or may instead be invested in ordinary shares in the Company, as part of an entitlement offer for ordinary shares that the Company intends to undertake.

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. 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 as outlined in Schedule 2 to this Explanatory Memorandum. The terms and conditions are the same as those for the Convertible Notes issued to MH Carnegie and intended to be issued to other third parties that are not related parties of Armour Energy.

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 10. As such, the consent of ASIC has not been sought in relation to Resolution 10, but shareholder approval will be sought under LR 10.11.

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

Resolution 11 – Approval of Issue of Convertible Notes to DGR Global Limited

Resolution 11 seeks the approval of shareholders for the issue of up to 85,454,545 Convertible Notes to DGR Global Limited (DGR Global). 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. 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 2 to this Explanatory Memorandum.

At the date of this notice DGR Global is owed over \$13 million (including accrued interest) under the terms of the bridging finance loan between the companies as initially announced on 11 September 2015, and updated on numerous occasions to this point. Subject to receipt of shareholder approval, DGR Global will convert up to approximately \$9.4 million into Convertible Notes on the same terms and conditions as those for the Convertible Notes issued to Carnegie and intended to be issued to other third parties that are not related parties of Armour Energy.

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 11. As such, the consent of ASIC has not been sought in relation to Resolution 11, 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.

As the subscription amount for the Convertible Notes to be issued to DGR Global will be paid for via the conversion of existing debt, no new funds will be raised.

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

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 12 – Pre-approval to Issue up to 191,818,182 Convertible Notes

In order to fund its exploration and developments opportunities, the Company may consider farm-in arrangements, other asset-level financing arrangements, debt arrangements, or equity raisings. The Company is seeking approval, for a 3 month period, to issue up to 191,818,182 Convertible Notes as part of any equity financing arrangements undertaken. This would leave intact the Company's subsequent ability to place shares under its 15% (or 25% if Resolution 15 is approved) equity cap.

Listing Rule 7.3 Information

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

- (a) The Convertible Notes will be allotted to 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), other institutional and accredited investors to whom no disclosure is required under the Corporations Act. No Convertible will be issued to related parties under this resolution.
- (b) The Company may issue up to 191,818,182 Convertible Notes to raise up to \$21.1 million.
- (c) The Convertible Notes will issued at \$0.11 per note, and on the same terms and conditions as the Convertible Notes that will be issued to MH Carnegie and as outlined in Schedule 2 to this Explanatory Memorandum.
- (d) Potential investors for the allotment of these Convertible Notes are yet to be identified.

- (e) If approved, Convertible Notes will be issued on or before 3 months after the date of this meeting as required by the Listing Rules.
- (f) 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. There may also be an element of corporate costs, creditor payments and a provision for working capital.
- (g) Voting exclusions are as outlined in the Notice of Meeting.

Directors' Recommendation

The Board recommends Shareholders vote in favour of this Resolution.

Resolution 13 – Approval for the Issue of Convertible Notes to MH Carnegie & Co Pty Ltd or Ratification of the Issue of Convertible Notes

Resolution 13 seeks to either:

- approve the issue of 22,727,273 Convertible Notes to funds managed or parties nominated by MH Carnegie & Co Pty Ltd (**MH Carnegie**) at an issue price of \$0.11 per note (**MHC Note Issue**); or
- if the MHC Note Issue has proceeded before the meeting, ratify the issue of 22,727,273 Convertible Notes to funds managed or parties nominated by MH Carnegie & Co Pty Ltd (**MH Carnegie**),

at an issue price of \$0.11 per note, and on the terms and conditions set out in Schedule 2 to this Explanatory Memorandum.

Listing Rule 7.3 Information

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

- (a) If approved, Convertible Notes will be issued on or before 3 months after the date of this meeting as required by the Listing Rules.
- (b) 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. There may also be an element of corporate costs, creditor payments and a provision for working capital.
- (c) Voting exclusions are as outlined in the Notice of Meeting.

Listing Rule 7.4

It is possible the Company may issue notes to MH Carnegie before the meeting is held under its existing placement capacity.

However, if it does so, in accordance with Listing Rule 7.4, the Company is seeking Shareholders to ratify the previous issue of Convertible Notes to MH Carnegie, 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 definition of securities includes convertible instruments, such as the Convertible Notes.

The Company seeks Shareholder approval to ratify the previous issue of the 22,727,273 Convertible Notes to MH Carnegie 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.

Terms of the Issue of the Convertible Notes to MH Carnegie

For the purposes of Listing Rules 7.3, 7.4 and 7.5 the Company advises as follows:

- (1) A total of 22,727,273 Convertible Notes are intended to be issued to MH Carnegie.
- (2) The Convertible Notes will be issued at a price of \$0.11 per note.
- (3) The terms and conditions attaching to the Convertible Notes are as outlined in Schedule 2 to this Explanatory Memorandum.
- (4) 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. There may also be an element of corporate costs, creditor payments and a provision for working capital.

As at the date of this Notice of Meeting, final legal documentation is yet to be executed with MH Carnegie & Co.

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

Directors' Recommendation

The Board recommends Shareholders vote in favour of this Resolution.

Resolution 14 – Approval for the Allotment of Options to Bizzell Capital Partners

Resolution 14 seeks the approval of shareholders for the grant of 5,000,000 options over ordinary shares to Bizzell Capital Partners Pty Ltd, an entity associated with Stephen Bizzell, a Director of Armour Energy, pursuant to a capital raising mandate agreed between the parties and executed on 23 August 2016 in connection with the Company's array of capital raising initiatives (**BCP Mandate**). The options are to be exercisable at \$0.20 each, vest immediately on their allotment, and expire on 30 August 2018 (**BCP Options**).

Approval for the issue of the BCP Options is sought in accordance with the provisions of Listing Rule 10.11. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. The non-conflicted Directors of Armour Energy (Messrs Mather, Stubbs and Sleeman) have satisfied themselves that the fees payable under the BCP Mandate (which includes the BCP Options) are on arm's length terms. Accordingly Armour can rely on an exception to section 208 of the Corporations Act, and therefore the consent of ASIC has not been sought in relation to Resolution 14.

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 and options.

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. Bizzell Capital Partners is an entity controlled by Stephen Bizzell, a Director of Armour Energy.

If approval is given, the Company intends to allot the BCP Options within one (1) month. No new funds will be raised as a result of the BCP Options. However, if the all of the BCP Options are exercised prior to their expiry, the Company will receive consideration of \$1,000,000.

Option Terms

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

- The securities to be issued to Bizzell Capital Partners are options to subscribe for fully paid Shares.
- The BCP Options are to be issued for no consideration.
- The exercise price of the BCP Options is \$0.20 each (**Exercise Price**).
- The BCP Options will vest on the date of allotment.
- The BCP Options will expire on 30 August 2018 (**Expiry Date**).
- Shares issued on exercise of the BCP Options will rank equally with all existing Shares from the date of issue.
- The BCP Options 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 for each BCP Option multiplied by the number of Shares in respect of which BCP Options are being exercised.
- The BCP Options shall be unlisted but shall be transferable with the Company's written consent.
- Upon allotment of Shares pursuant to the exercise of BCP Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
- As the holder of the BCP Options only, Bizzell Capital Partners does 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 Bizzell Capital Partners with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the BCP Options, in accordance with the requirements of the Listing Rules.
- The Option holder does 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 Underwriting 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 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 BCP Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which a BCP Option is exercisable will be increased by the number of Shares which Bizzell Capital Partners would have received if the Options had been exercised before the record date for the bonus issue.
- If, during the life of any BCP Option, there is a pro rata issue (except a bonus issue), the Exercise Price of an Underwriting 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 options

O = the old exercise price of the options

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 BCP 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 BCP Options shall not be changed to reduce the Exercise Price, increase the number of BCP Options or change any period for exercise of the BCP Options.

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

The Company will exclude any votes received from Bizzell Capital Partners and any associates of Bizzell Capital Partners, including Mr Stephen Bizzell.

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

SPECIAL BUSINESS

Resolution 15 - Approval to Issue an Additional 10% of the Issued Capital of the Company over a 12 Month Period Pursuant to Listing Rule 7.1A

Introduction

Pursuant to Resolution 15, the Company is seeking Shareholder approval to issue an additional 10% of its issued capital over a 12 month period pursuant to Listing Rule 7.1A. If passed, this Resolution will allow the Company to allot and issue up to the number of new Equity Securities calculated in accordance with Listing Rule 7.1A.2 (**Placement Securities**) each at an issue price of at least 75% of the volume weighted average price (**VWAP**) for the Company's Equity Securities in that class (calculated over the last 15 days on which trades in the Equity Securities are recorded immediately before the date on which the price at which the Placement Securities are to be issued is agreed, or if the Placement Securities are not issued within five trading days of that date, the date on which the Placement Securities are issued) (**Issue Price**).

This approval is sought pursuant to Listing Rule 7.1A, under which small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary shareholders by Special Resolution at the Annual General Meeting, are permitted to issue an additional 10% of issued capital over a 12 month period from the date of the Annual General Meeting (**Additional 10% Placement**).

The Additional 10% Placement under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the Placement Securities to raise funds for the Company and as non-cash consideration (further details of which are set out below).

Funds raised from the issue of Placement Securities, if undertaken, would be applied towards the acquisition of new assets or investments (including expenses associated with such acquisitions), continued exploration and feasibility study expenditure on the Company's current assets and general working capital.

The Directors unanimously recommend that Shareholders vote in favour of this Special Resolution 15.

Listing Rule 7.1A

Eligibility

An entity is eligible to undertake an Additional 10% Placement if at the time of its Annual General Meeting it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index.

For illustrative purposes only, on 3 November 2016, the Company's market capitalisation was approximately \$24.86 million based on the closing share price on that date. The calculation of market capitalisation will be based on the Closing Price of the Shares, on the last Trading Day on which trades in the Shares were recorded before the date of the Annual General Meeting, multiplied by the number of Shares on issue (excluding restricted securities and securities quoted on a deferred settlement basis).

The Company is also not included in the S&P/ASX300 Index as at the time of this Annual General Meeting, however, it should be noted that the S&P/ASX300 Index is rebalanced twice a year in March and September.

The Company is therefore an Eligible Entity and able to undertake an Additional 10% Placement under Listing Rule 7.1A.

In the event that the Company for any reason ceases to be an Eligible Entity after the Company has already obtained Shareholder approval pursuant to this Resolution, the approval obtained will not lapse and the Company will still be entitled to issue the Placement Securities during the 12 month period following this AGM.

Special Resolution

Listing Rule 7.1A requires this Resolution to be passed as a Special Resolution, which means that it must be passed by at least 75% of the votes cast by members entitled to vote on the Resolution. Pursuant to Listing Rule 7.1A, no Placement Securities will be issued until and unless this Special Resolution is passed at the Meeting.

Shareholder Approval

The ability to issue the Placement Securities is conditional upon the Company obtaining Shareholder approval by way of a Special Resolution at the Meeting.

10% Placement Period - Listing Rules 7.1A.1

Assuming Resolution 15 is passed, Shareholder approval of the Additional 10% Placement under Listing Rule 7.1A is valid from the date of the AGM and expires on the earlier to occur of:

- the date that is 12 months after the date of the AGM; or
- the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),
- or such longer period if allowed by ASX.

If approval is given for the issue of the Placement Securities then the approval will expire, on 14 December 2017 unless Shareholder approval is granted pursuant to Listing Rules 11.1.2 or 11.2 prior to that date.

Formula for calculating 10% Placement Facility - Listing Rule 7.1A.2

Listing Rule 7.1A2 provides that eligible entities which have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

- A** is the number of shares on issue 12 months before the date of issue or agreement:
- plus** the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - plus** the number of partly paid shares that became fully paid in the 12 months;
 - plus** the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
 - less** the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

Listing Rule 7.1A.3

Equity Securities

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% capacity under Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 322,858,077 Shares. The Company will have the capacity to issue the below Equity Securities immediately following the Meeting:

- 48,428,712 Equity Securities under Listing Rule 7.1; and
- subject to Shareholder approval being obtained under Resolution 15, a further 32,285,808 Placement Securities under Listing Rule 7.1A.

The actual number of Placement Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Placement Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (as described above).

Information to be given to ASX – Listing Rule 7.1A.4

If Resolution 15 is passed and the Company issues any Placement Securities under Listing Rule 7.1A, the Company will give to ASX:

1. a list of allottees of the Placement Securities and the number of Placement Securities allotted to each placee (this list will not be released to the market); and
2. the following information required by rule ASX Listing Rule 3.10.5A, which will be released to the market on the date of issue:
 - details of the dilution to the existing holders of Ordinary Securities caused by the issue;

- where the Equity Securities are issued for cash consideration, a statement of the reasons why the Company issued the Equity Securities as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing Shareholders would have been eligible to participate;
- details of any underwriting arrangements, including any fees payable to the underwriter; and
- any other fees or costs incurred in connection with the issue.

Specific Information required by Listing Rule 7.3A

1. Minimum Price of securities issued under Listing Rule 7.1A – Listing Rule 7.3A.1

Pursuant to and in accordance with Listing Rule 7.1A.3, the Placement Securities issued pursuant to approval under Listing Rule 7.1A must have an issue price of not less than 75% of the VWAP for the Equity Securities over the 15 trading days immediately before:

- the date on which the price at which the Placement Securities are to be issued is agreed; or
- if the Placement Securities are not issued within five trading days of the date in paragraph (1) above, the date on which the Placement Securities are issued.

The Company will disclose to the ASX the issue price on the date of issue of the Placement Securities.

2. Risk of Economic and Voting Dilution - Listing Rule 7.3A.2

As provided by Listing Rule 7.3A.2, if this Resolution is passed and the Company issues the Placement Securities, there is a risk of economic and voting dilution to the existing Shareholders. The Company currently has on issue 322,858,077 Shares. Subject to the passing of Resolutions 9 of this meeting, the Company could issue pursuant to Listing Rule 7.1A will be 32,285,808 Shares (however, it is important to note that the exact number of Placement Securities which may be issued will be calculated in accordance with the formula contained in Listing Rule 7.1A.2, details of which are set out above). Any issue of Placement Securities will have a dilutive effect on existing Shareholders.

There is a specific risk that:

- the Market Price for the Company's Equity Securities may be significantly lower on the date of the issue of any Placement Securities than it is on the date of the meeting; and
- the Placement Securities may be issued at a price that is at a discount to the Market Price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue or the value of the Placement Securities.

As required by Listing Rule 7.3A.2, Table 1 below shows the potential economic and voting dilution effect, in circumstances where the issued share capital has doubled and the Market Price of the shares has halved. Table 1 also shows additional scenarios in which the issued share capital has increased (by both 50% and 100%) and the Market Price of the shares has:

- (1) decreased by 50%; and
- (2) increased by 100%.

Table 1

Issued Share Capital	Share	50% decrease in Market Price \$0.039		Current Market Price \$0.077		100% increase in Market Price \$0.15	
		10% Voting Dilution	Capital Raised	10% Voting Dilution	Capital Raised	10% Voting Dilution	Capital Raised
Present Issued Share Capital = 322,858,077 Shares		32,285,808	\$1,243,004	32,285,808	\$2,486,007	32,285,808	\$4,972,014
50% Increase in Share Capital = 484,287,116 Shares		48,428,712	\$1,864,505	48,428,712	\$3,729,011	48,428,712	\$7,458,022
100% Increase in Share Capital = 645,716,154 Shares		64,571,615	\$2,486,007	64,571,615	\$4,972,014	64,571,615	\$9,944,029

Assumptions and Explanations

- The Market Price is \$0.077, based on the closing price of the Shares on ASX on 3 November 2016.
- The above table only shows the dilutionary effect based on the issue of the Placement Securities (assuming only Shares are issued), and not any Shares issued under the 15% capacity under Listing Rule 7.1.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued Share capital at the time of issue. It shows the number of shares that the Company's share capital will increase by.
- The Company issues the maximum number of Placement Securities.
- The issued Share capital has been calculated in accordance with the formula in Listing Rule 7.1A (2) as at 3 November 2016.
- The issue price of the Placement Securities used in the table is the same as the Market Price and does not take into account the discount to the Market Price (if any).
- Variable A is the issued capital of the Company.
- The table above does not show the potential dilutionary effect to a particular shareholder.

3. Final Date for Issue - Listing Rule 7.3A.3

As required by Listing Rule 7.3A.3, the Company will only issue and allot the Placement Securities during the 12 months after the date of this Meeting which the Company anticipates will end on 14 December 2017. The approval under this Resolution for the issue of the Placement Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the Annual General Meeting.

4. Purpose - Listing Rule 7.3A.4

As noted above, the purpose for which the Placement Securities may be issued include to raise funds for the Company and as non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards the acquisition of new assets or investments (including expenses associated with such acquisitions), continued exploration and feasibility study expenditure on the Company’s current assets and general working capital.

5. Shares Issued for Non-Cash Consideration - Listing Rule 7.3A.4

The Company may issue Placement Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Placement Securities for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Placement Securities complies with Listing Rule 7.1A.3.

6. Company’s Allocation Policy - Listing Rule 7.3A.5

The Company’s allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of the Placement Securities. The identity of the allottees of Placement Securities will be determined on a case-by-case basis having regard to a number of factors including but not limited to the following:

- (1) the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which existing shareholders can participate;
- (2) the effect of the issue of the Placement Securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and
- (4) advice from corporate, financial and broking advisers (if applicable).

The allottees of the Placement Securities have not been determined as at the date of this Notice but may include existing substantial Shareholders and new Shareholders who are not related parties or associates of a related party of the Company.

Furthermore, if the Company is successful in acquiring new assets or investments for which Placement Securities are issued as consideration, it is likely that the allottees of some of the Placement Securities will be the vendors of the new assets or investments.

7. Details of all equity securities issued where shareholder approval under listing rule 7.1A previously obtained – Listing Rule 7.3A.6

The Company previously obtained Shareholder approval under Listing Rule 7.1A at the previous Annual General Meeting held on 17 November 2015. No shares were issued pursuant to the approval during the year. As the Company previously obtained Shareholder approval under Listing Rule 7.1A, the following information is provided to Shareholders, in accordance with Listing Rule 7.3A.6 regarding the total number of Equity Securities (quoted and unquoted) issued in the past 12 months preceding the date of the meeting (that is, since 17 November 2015).

(i)	Number of equity securities on issue at commencement of 12 month period	304,635,766
(ii)	Equity securities issued in prior 12 month period	18,222,311 Shares 13,050,000 Unlisted Options
(iii)	Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	5.98%

	Terms	Details of Issue	Issue Date	Number Issued	Name of recipient or basis on which recipient determined	Issue price of Equity Securities and Discount to market price on the trading day prior to issue	If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds. If issued for non-cash consideration – a description of the consideration and the current value of the consideration
Shares	Ordinary shares	AEGP Shares Placement	04/11/2015	16,922,311	AEGP Australia Pty Ltd	\$0.20, based on Share Subscription Agreement with AEGP Australia Pty Ltd	\$3,384,462 cash raised. Used towards various aspects of the Roma Shelf Project (desk top studies, consultants, operations), general exploration and corporate costs. No funds remain.
Shares	Ordinary shares	Exercise of ESOP Options	05/02/2016	1,300,000	Armour Employees	Exercise price @\$0.10	\$130,000 cash raised. Used towards various aspects of the Roma Shelf Project (desk top studies, consultants, operations), general exploration and corporate costs. No funds remain.
Unlisted Options	Over ordinary shares	Exercisable at \$0.20, expiring 29 March 2021	29/03/2016	4,350,000	Eligible employees under a ESOP	Nil	Nil
Unlisted Options	Over ordinary shares	Exercisable at \$0.35, expiring 29 March 2021	29/03/2016	4,350,000	Eligible employees under a ESOP	Nil	Nil
Unlisted Options	Over ordinary shares	Exercisable at \$0.50, expiring 29 March 2021	29/03/2016	4,350,000	Eligible employees under a ESOP	Nil	Nil

Specific details that are required to be provided for each issue of equity securities in the prior 12 month period are as outlined above.

SCHEDULE 1

ARMOUR ENERGY LIMITED

SUMMARY OF TERMS AND CONDITIONS OF THE SCHEME

1. The Scheme is to extend to Eligible Employees of Armour Energy Limited ACN 141 198 414 (the Company) or an associated body corporate of the Company as the Board may in its discretion determine.
2. The total number of Shares to be issued by the Company to Eligible Employees in respect of which either Shares or Options have been issued under the Scheme shall not at any time exceed five percent (5%) of the Company's total issued ordinary Share capital in that class at that time when aggregated with:
 - (a) the number of Shares in the same class which would be issued with each outstanding offer with respect to Shares or Options under any share option scheme of the Company accepted and exercised; and
 - (b) the number of Shares in the same class issued during the previous five (5) years pursuant to:
 - (1) the *Scheme* to an Eligible Employee; or
 - (2) any employee share option scheme of the Company, but excluding for the purposes of the calculation, any offer made, or Option acquired or Share issued by way of or as a result of:
 - (3) any offer to a person situated at the time of receipt of the offer referred to in paragraph 2(a) and (b) outside of this jurisdiction; or
 - (4) an offer that did not require disclosure to investors because of Section 708 of the *Corporations Act 2001 (Cth)*; or
 - (5) an offer that did not require the giving of a product disclosure statement because of Section 1012D of the *Corporations Act 2001 (Cth)*; or
 - (6) an offer made under a disclosure document or product disclosure statement within the meaning of those terms in the *Corporations Act 2001 (Cth)*.
3. The Shares are to be issued at a price determined by the Board.
4. The Options are to be issued for no consideration.
5. The exercise price of an Option is to be determined by the Board at its sole discretion.
6. The Option Commencement Date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board prior to the issuance of the relevant Options.
7. The Option Period commences on the Option Commencement Date and ends on the earlier of:
 - (a) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than 2 years; or
 - (b) the Business Day after the expiration of three months, or any longer period which the Board may determine, after the Eligible Employee ceases to be employed by the Company or an associated body corporate of the Company; or
 - (c) the Eligible Employee ceasing to be employed by the Company or an associated body corporate of the Company due to fraud or dishonesty;

8. Eligibility to participate is determined by the Board. Eligibility is restricted to Eligible Employees of the Company or an associated body corporate of the Company. The Board is entitled to determine:
 - subject to paragraph 2, the total number of Shares and Options to be offered in any 1 year to Eligible Employees;
 - the Eligible Employees to whom offers will be made; and
 - the terms and conditions of any Shares and Options granted, subject to the Scheme.
9. Participants do not participate in dividends or in bonus issues unless the Options are exercised.
10. 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 ASX 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 ASX Listing Rules
11. In the event of a pro rata issue (except a bonus issue) made by the Company during the term of the Options the Company may adjust the exercise price for the Options in accordance with a specific formula.
12. The Board has the right to vary the entitlements of participants to take account of the effect of capital reorganisations, bonus issues or rights issues.
13. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company 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.
14. The Board may impose as a condition of any offer of Shares and Options under the Scheme any restrictions on the transfer or encumbrance of such Shares and Options as it determines.
15. The Board may vary the Scheme.
16. The Scheme is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of a participant under the terms of his or her employment or arrangement.
17. At any time from the date of an Offer until the Acceptance Date of that Offer, the Board undertakes that it shall provide information as to:
 - the Current Market Price of the Shares; and
 - the acquisition price of the Shares or Options offered where this is calculated by reference to a formula, as at the date of the Offer,to any Participant by mail (or such other form of notification as agreed by the Company and the Participant) within 3 Business Days of a written request to the Company from that Participant to do so.

SCHEDULE 2

TERMS AND CONDITION OF CONVERTIBLE NOTES

Issuer	Armour Energy Ltd (ACN 141 198 414)
Convertible Note Issue	Convertible Notes to be issued by the Issuer pursuant to the Convertible Note Trust Deed.
Purpose	To finance the re-start of oil and gas production from the Kincora Project, partial repayment of the DGR Global Bridging Facility, general working capital and costs of the issue.
Issue Price	Face Value of \$0.11 per Convertible Note
Conversion	Each Note is convertible at any time at the holder's election into one ordinary share of the Issuer (ASX: AJQ). For clarity, a Noteholder may exercise conversion rights in relation to only some, or all, of their Notes at any time.
Issue size	<p>Up to 200 million Convertible Notes (\$22,000,000) of which up to \$9.4 million will be issued to DGR Global Ltd in part repayment of the DGR Global Bridging Facility. (Tranche 1 Convertible Notes)</p> <p>The Issuer will have the right to issue up to a further approx. 27.27 million Convertible Notes (\$3,000,000), on the same terms. (Tranche 2 Convertible Notes)</p> <p>The Issuer may also issue up to a further approx. 90.91 million Convertible Notes (\$10,000,000), on the same terms before 31 March 2017 (Tranche 3 Convertible Notes)</p> <p>The Issuer may also issue Convertible Notes in lieu of Interest (at the Issuer's election) pursuant to the terms below.</p>
Term	Approximately 3 years
Maturity Date	30 September 2019
Security	Investors to be granted security over all assets of the Issuer in accordance with the terms of the Note Trust Deed, subject only to the terms of the Priority Deed.
Security Ranking	The Convertible Notes will have equal ranking security proportionally with the DGR Global Bridging Facility pursuant to the terms of the Priority Deed.
Status	<p>The Notes are direct and secured debt obligations of the Company.</p> <p>Each Note ranks for payment in a Winding Up of the Company:</p> <ol style="list-style-type: none"> (1) equally and proportionally with each Note and all Equal Ranking Obligations in accordance with the terms of the Priority Deed; and (2) ahead of all unsecured or subordinated debts of the Issuer and ordinary shareholders. <p>In order to give effect to the ranking, in any Winding Up of the Issuer, the claims of Holders are limited to the extent necessary to ensure that Holders of the Notes and holders of any Equal Ranking Obligations receive payments on a pro-rata basis. The DGR Global Bridging Facility is the only permitted Equal Ranking Obligation.</p>
DGR Global Bridging Facility	means the Bridging Facility Agreement between the Issuer as borrower, Armour Energy (Surat Basin) Pty Limited ACN 607 504 905, and DGR Global Ltd as lender, dated 20 November 2015, as amended from time to time.

Coupon Rate	<p>Interest of 15% p.a, paid half yearly in arrears on the Interest Payment Dates. The interest paid on the first interest payment date of 31 March 2017 will be calculated for each tranche of notes issued for the period from when each tranche of convertible notes is issued to 31 March 2017 at the interest rate of 15% pa.</p>
Interest Payment Dates	<p>31 March 2017 30 September 2017 31 March 2018 30 September 2018 31 March 2019 30 September 2019</p>
Issue of Notes in lieu of Interest	<p>The Issuer may elect, at its discretion, to issue Notes (at the Issue Price and on the same terms and conditions as the Placement Notes) in lieu of any Interest due on an Interest Payment Date, and the issue of those Notes will be in full and final satisfaction of the Interest due and payable on that date.</p> <p>The number of Notes that will be issued will be so many Notes as is determined in accordance with the following formula:</p> $A = B/C$ <p>Where:</p> <p>A = the number of Notes to be issued in lieu of Interest payable on any Interest Payment Date,</p> <p>B = the amount of Interest due on the relevant Interest Payment Date, and</p> <p>C = \$0.11 (being the Issue Price/Face Value per Note).</p>
Payment of Interest on Conversion	<p>If a Holder elects to Convert Notes:</p> <p>(1) on a date being an Interest Payment Date, the Company will pay to the Holder an amount of Interest being:</p> <p>(A) all Interest owing on that Interest Payment Date; and</p> <p>(B) all accrued and unpaid Interest;</p> <p>(2) on a day that falls between Interest Payment Dates, then because interest is payable in arrears, on the next Interest Payment Date immediately following the relevant Conversion Date, the Company will pay to the Holder an amount of Interest calculated in accordance with the following formula:</p> $R = (I/180 \times MP)$ <p>Where</p> <p>R = the amount of Interest to be paid by the Company;</p> <p>I = the total amount of Interest which would have been payable to that Holder in respect of the relevant Notes on the Interest Payment Date following the Conversion Date, had the Notes not been Converted; and</p> <p>MP = the number of days commencing on the Interest Payment Date which immediately preceded the date of Conversion and ending on the Conversion Date.</p>
Adjustments to Conversion Ratio	<p><i>Pro Rata Offer</i></p> <p>If at any time prior to the earlier to occur of the Conversion, Redemption or Maturity Date of the Notes the Company makes a pro rata offer (excluding a bonus issue) to Shareholders, the Conversion Ratio will be adjusted using the formula as follows:</p>

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

Where:

NR = the new Conversion Ratio of the Notes.

OR = the old Conversion Ratio of the Note prior to the pro rata offer.

E = the number of shares into which one Note is convertible.

P = average market price per share weighted by reference to volume of the underlying

Shares during the 5 trading days ending on the day before the ex-rights date or ex-entitlements date.

S = the subscription price of a share under the pro rata issue.

O = the dividend due but not yet paid on the existing underlying shares (except those

to be issued under the pro rata issue).

N = the number of shares with rights or entitlements that must be held to receive a right to 1 new share.

Bonus Issue

If a bonus issue of shares is made by the Company, then the number of shares issued to each Holder on Conversion will be increased by the number of bonus shares that a Holder would have received if the Note had been exercised prior to the record date for the bonus issue and no change will be made to the Conversion Ratio.

Reorganisation of capital

The Company may only reorganise its capital:

- (1) in accordance with the Listing Rules; and
- (2) if, in respect of the Notes, the number of Notes or the Face Value, or both, is reorganised so that the Holders will not receive a benefit that Shareholders do not receive.

(b) Unless the Listing Rules require otherwise, the Conversion Ratio must be adjusted as follows:

- (1) Reduction in capital

If the issued capital of the Company is reduced, the entitlement of a Holder to convert its Notes to shares at the Conversion Ratio will be reduced in the same proportion and manner as the issued capital is so reduced (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the reduction of capital) but in all other respects the Conversion Rights will remain unchanged.

- (2) Consolidation of capital

If the issued capital of the Company is consolidated, the entitlement of a Noteholder to convert its Notes to shares at the Conversion Ratio will be reduced in the same proportion and manner as the issued capital is so consolidated (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the consolidation of capital) but in all other respects the Conversion Rights will remain unchanged.

	<p>(3) Subdivision of capital</p> <p>If the issued capital of the Company is subdivided, the entitlement of a Holder to convert its Notes to shares at the Conversion Ratio will be increased in the same proportion and manner as the issued capital is so subdivided (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the subdivision of capital) but in all other respects the Conversion Rights will remain unchanged.</p>
Redemption	Repayment of Face Value and any unpaid interest at the Maturity Date.
Early Redemption Event	<p>The Company may give a Redemption Notice in the event of a Takeover Event. Takeover Event means that if at any time on or before the Maturity Date, an off market bid, a market bid, scheme of arrangement, or offer or invitation is made to all holders of Ordinary Shares to purchase or otherwise acquire Ordinary Shares and the bid, scheme or offer becomes unconditional, and the offeror has at least 50% of the voting power (as defined by the Corporations Act) in the Company.</p> <p>Notwithstanding the issue of a Redemption Notice, a Holder may give a Conversion Notice (which may be expressed to be subject to Takeover Event completing) in respect of any of its Notes which are the subject of the Redemption Notice up to the before the relevant Redemption Date (or such later time as the Company may agree with the relevant Holder), and only Notes for which Conversion Notices have not been so given or are treated as having not been given will be Redeemed on the specified Redemption Date.</p>
Events of Default	<p>Customary events of default which are no less favorable than those under the DGR Global Bridging Facility (as amended), are to be incorporated in the formal transaction documents, including but not limited to payment, redemption or conversion breaches, cross defaults, suspension from trading for more than 10 days and insolvency events.</p> <p>While any Event of Default relating to a payment failure is subsisting, default interest at the Higher Interest Rate (as defined under the DGR Global Bridging Facility) will apply.</p>
Negative Pledge	There shall be no increase in the Equal Ranking Obligation Debt beyond what is contemplated under this term sheet without Noteholder approval being obtained.
No Dividends	No dividends may be declared or paid whilst the Convertible Notes are on issue.
ASX Listing	The Convertible Notes will not be listed on ASX.
Investor Eligibility	The Notes are being offered to ‘sophisticated investors’, ‘professional investors’ (under the Corporations Act) and investors who are exempt to disclosure requirements.
Cleansing Notice	The Issuer must issue a cleansing notice within 30 days of conversion of any Convertible Notes.
Note Trustee	Perpetual Corporate Trustee Limited
Restrictions on Conversion	Depending upon the relevant interest a holder of Convertible Notes has in Shares in the Company, conversion of Convertible Notes may be subject to either approval of Shareholders pursuant to s 611 item 7 Corporations Act or the availability of some other exemption under Part 6.1 Corporations Act.

Interpretation

Additional 10% Placement means the additional 10% of issued capital over a 12 month period from the date of the Annual General Meeting under Listing Rule 7.1A;

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 in Schedule 2;

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 **Annual General Meeting** means the annual general meeting to be held on 14 December 2016;

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;

Places means the Company employees to whom Placement Shares were issued;

Placement Securities means the new Equity Securities for the purposes of Listing Rule 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) 12 December 2016. 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 kschlobhm@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 **14 December 2016** 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. Remuneration Report
2. Re-election of William (Bill) Stubbs as a Director
3. Approval of ESOP
4. Grant of Options to Nicholas Mather
5. Grant of Options to Stephen Bizzell
6. Grant of Options to Roland Sleeman
7. Grant of Options to William Stubbs
8. Approval to Grant Options to Matthew Beach
9. Approval to Issue Convertible Notes to Nicholas Mather
10. Approval to Issue Convertible Notes to Stephen Bizzell
11. Approval to Issue Convertible Notes to DGR Global
12. Pre-approval to Issue Convertible Notes
13. Approval to issue or ratify Issue of Convertible Notes to MH Carnegie
14. Grant of Options to Bizzell Capital Partners Pty Ltd
15. Approval to issue additional 10% of issued share capital pursuant to Listing Rule 7.1A

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<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 12 December 2016, 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